INDIA AND CENTRAL ASIA: REVITALIZING TRADE AND INVESTMENT RELATIONS

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Project Team:

Mr. David Sinate, Chief General Manager

Mr. Vanlalruata Fanai, Deputy General Manager

Ms. Sara Joy, Manager

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EXECUTIVE SUMMARY

Central Asia, situated at the core of the Eurasia, is a region richly endowed with natural resources and a combined population of 72.1 million as of 2018. Central Asian Republics (CARs) comprise 5 landlocked and transition economies – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, which play an important role as a bridge between Europe and Asia. The geopolitics of energy security makes CARs important global powers to be reckoned upon.

Economic growth of CARs are driven by growing demand for hydrocarbon and metals. Remittance income from Russia is another driving factor behind the high growth of CARs. In 2018, the combined Gross Domestic Product (GDP) of CARs increased to an estimated US$ 279.8 billion from US$ 273.8 billion in 2017, and is expected to reach US$ 293.9 billion during 2019. Though rich in natural and human resources, CARs are quite diverse in terms of their stages of development. The GDP of Kazakhstan at US$ 172.9 billion in 2018, for instance, is much larger than the combined GDP of the remaining four countries.

Average annual GDP growth of the region stood at 4.3 percent in 2018, increasing marginally from 4.2 percent in 2017. Tajikistan recorded the highest growth in the region at 7.3 percent in 2018, followed by Turkmenistan and Uzbekistan, which grew at 6.2 percent and 5.1 percent, respectively. External debt of the region decreased to US$ 171.9 billion (61.4 percent of GDP) in 2018 from US$ 174 billion (63.5 percent of GDP) in the previous year. Total international reserves of CARs stood at US$ 86.3 billion, with an import cover of 17 months in 2018.

Trends in Foreign Trade of Central Asian Republics

Central Asian Republics have laid importance to increasing international trade since their independence. However, trade remains below potential levels, confined by limitations in connectivity, market access issues, limited bilateral engagements and difficult trade and transport facilitation.

Total trade of the CARs increased by a compound annual growth rate (CAGR) of 4.1 percent from US$ 101.8 billion in 2009 to US$ 146.4 billion in 2018, with increase in both exports and imports during the period. The region enjoys a favourable trade balance which increased more than 4-folds from a modest

US$ 5.9 billion in 2009 to US$ 24.2 billion in 2018. This trade surplus is mainly driven by large exports of oil and natural gas and rapid increase in their prices in the international markets. Exports of the region increased from US$ 53.8 billion in 2009 to over US$ 85 billion in 2018, growing at a CAGR of 5.2 percent. At the same time, imports of the region have also increased moderately from US$ 48 billion to US$ 61.1 billion during the same period, growing by a CAGR of 2.7 percent.

Among CARs, Kazakhstan is the leading trading nation, accounting for almost 64 percent of total trade of the region, followed by Uzbekistan which accounted for over 19 percent of the total trade in 2018.

As identified by the UNESCAP, trade structures in CARs follow a production-trade mismatch, due to the prevalence of a less diversified manufacturing base. Exports of the region mainly consist of primary products such as oil, natural gas, minerals and agricultural products, while manufactured products account for majority of imports. Concentration of exports is especially high, with gas and cotton accounting for 80 percent of total exports of Turkmenistan and crude petroleum accounting for 62 percent of Kazakhstan's total exports. The share of manufactured goods in global exports of CARs are quite low. On the other hand, the major imports to the region include machinery and mechanical appliances; electrical and electronic equipment; transport vehicles; petroleum products; iron and steel and articles; pharmaceutical products and plastics.

On account of the region's geographical location and due to the fact that CARs are landlocked countries, their major traditional trading partners have been the neighbouring countries of China and Russia. European countries such as Italy, Netherlands, France, Switzerland, Turkey and UK are also among the leading trade partners for CARs.

Trends in Investments in Central Asian Republics

Central Asian Republics, on account of immense opportunities for cooperation, is a very attractive destination for investment and trade, while the region has a very limited presence as foreign investors globally.The improvements in the ease of doing business rankings of CARs and increased efforts to improve transparency, policy frameworks and business environment are attracting investors to the region. The region is undergoing many positive changes, opening up to potential investors.

Foreign direct investment (FDI) inflows into CARs which stood at a marginal US$ 118 million in 1992 has increased sharply to US$ 1.5 billion in 2000 and further to US$ 19.9 billion in 2011. Thereafter, FDI inflows witnessed a moderation to reach US$ 6.6 billion in 2018. According to the Boston Consulting Group (BCG), CARs have an estimated FDI potential of US $ 170 billion, including US$ 40 billion-US$ 70 billion in non-extractive industries, over the next 10 years. Kazakhstan is the largest FDI recipient as well as source for FDI outflows in the region. During 2018, Kazakhstan accounted for 58 percent of total FDI inflows in the region. FDI outflows from the region, which were marginal at US$ 8.9 billion in 2000, increased to US$ 7.9 billion in 2010, thereafter declined to (-) US$ 1.0 billion in 2018, mainly due to negative investments in Kazakhstan.

Investments in Central Asia and especially Kazakhstan, have over the years, largely been driven by large scale oil and natural gas projects. FDI inflows into the region have largely gone into sectors such as mining, metallurgy and extractive industries, manufacturing and food processing. Traditional investors in the region have been Russia, China, the US and UK.

Trends in India's Trade with Central Asian Republics

Central Asian Republics represent a region of considerable strategic interest for India due to their geographical location, mineral and hydrocarbon wealth and prospects for the development of multiple trade corridors through land and sea routes. The region, being a part of India's "extended neighbourhood", is pivotal in India's foreign policy.

India's total trade with Central Asian Republics has witnessed an almost three-fold rise from US$ 481.6 million in 2009-10 to US$ 1.3 billion in 2018-19, with India's exports to the region amounting to US$ 442.5 million and imports amounting to US$ 863 million in 2018-19. India is witnessing an unfavourable trade balance with the region, with trade surplus of US$ 56.9 million during 2009-10, turned into a trade deficit of US$ 165.4 million in 2013-14, which has widened further to reach US$ 420.5 million in 2018-19. India's exports to the region increased at a CAGR of 5.7 percent during the period 2009-10 to 2018-19, while the imports grew at a CAGR of 16.9 percent during the same period.

During 2018-19, Uzbekistan became India's leading export destination among CARs, accounting for around 46 percent of India's total exports to the region. The other major exporters during the same year were Kazakhstan (32.3 percent share), Turkmenistan (10.3 percent), Kyrgyzstan (6.8 percent) and Tajikistan (5 percent).

With regards to imports, Kazakhstan is the largest supplier to India among CARs, accounting for over 82 percent of India's total imports from the region in 2018-19. Uzbekistan accounted for 14.7 percent of India's total imports from the region, followed by Turkmenistan (2.4 percent), and Tajikistan (0.5 percent).

Pharmaceutical products are the major exported commodity by India to the region, accounting for 34.4 percent of India's total exports to CARs during 2018-19. Other major export commodities include machinery and mechanical appliances (21 percent share in India's total exports); coffee, tea and spices (8.3 percent); electrical machinery and equipment (7.4 percent); vehicles other than railway or tramway (4 percent) and meat and edible meat offal (3.5 percent).

As regards imports, mineral fuels, oils and products of distillation accounted for over 60 percent of India's total imports from the region during 2018-19. Other major imported items include pearls, precious or semi-precious stones and metals (22.6 percent of total imports); ores, slag and ash (12.2 percent) and fertilisers (1.8 percent).

Trends in India- CARs Investment Flows

Along with India's increasing exports to CARs, an important development has been improvements in bilateral commercial relations, resulting in increase in India's overseas investments to countries in the region. Flow of bilateral investments between India and CARs have, however, remained modest over the years. According to the data from the Reserve Bank of India (RBI) and the Ministry of Finance, Government of India (GOI), the cumulative Indian investments in joint ventures (JVs) and wholly owned subsidiaries (WOS) in the region during the period April 1996 to March 2019, amounted to US$ 318.8 million. Among CARs, Kazakhstan has emerged as an important destination for India's overseas investment, with total approved investment in the country amounting to US$ 263.2 million, with a share of 82.6 percent in India's investments into the region. Coal, oil and gas sector received the highest investment, followed by renewable energy, textiles, financial services, pharmaceuticals and automotive components.

India's Export Potential in Central Asian Republics

To enhance bilateral trade relations between India and Central Asian Republics, strategy to enhance bilateral trade would entail identification of potential items of India's exports to CARs. This, in turn, would be in line with India's global export

capability as also demand existing in CARs as exhibited by the rising trend in major import items of CARs. Concomitantly, such a strategy would also serve to enhance India's ranking as a major import partner of these countries. Some of these potential export commodities to CARs are given below.

Select commodities having potential to export from India to Kazakhstan would include: machinery; electrical and electronic equipment; articles of iron or steel; vehicles other than railway or tramway; petroleum products; plastics and articles; pharmaceuticals; iron and steel; optical, photographic, medical or surgical instruments;ores, slag and ash; chemical products and rubber and articles, among others.

The potential export items from India to Uzbekistan would mainly include: machinery; transport vehicles; iron and steel; electrical and electronic equipment; petroleum products; articles of iron or steel; plastics and articles;sugars and sugar confectionery and cereals.

In case of Turkmenistan, the potential export items would include, machinery; articles of iron or steel; electrical and electronic equipment; transport vehicles; plastics and articles; ships, boats and floating structures; iron and steel; miscellaneous chemical products; optical, photographic, cinematographic, medical or surgical instruments and sugars and sugar confectionery.

Select commodities having potential to export from India to Kyrgyzstan would mainly include petroleum products; machinery; footwear; electrical and electronic equipment; articles of apparel, accessories, knit or crochet; iron and steel; man-made staple fibres; plastics and articles; transport vehicles and articles of iron or steel; and cereals.

For Tajikistan, products having potential to export from India would include petroleum products; transport vehicles; iron and steel; machinery; cereals; electrical and electronic equipment; inorganic chemicals; articles of iron or steel and plastics and articles, among others.

Investment Potential in Central Asian Republics

Central Asian Republics are poised to become significant players in the new global paradigm and the next frontier of economic opportunity for global investors. The region has shown economic dynamism with high labour productivity, growing above world averages, with FDI flows into CARs multiplying manifolds and the

region's per annum GDP growing at higher rate, over the last decade. Some of the plausible sectors where Indian investors could look towards investing in Central Asian Republics are given below:

- Kazakhstan: oil refining; development of oil and gas infrastructure; mining-and-metallurgical sector; chemical industry; machine industry; pharmaceutical industry; construction industry and building materials production; agricultural sector; light industry and tourism industry.
- Uzbekistan: oil and gas industry; mineral resources; chemical industry; electric power and production and processing of fruit and vegetable products.
- Tajikistan: energy and hydropower; natural resources and mining sector; agriculture development and processing of agricultural products; tourism and service industry; transport infrastructure and communications and wood industry products.
- Kyrgyzstan: hydropower; mining; food processing; tourism and information technology.
- Turkmenistan: oil and gas sector; textiles and construction; chemicals; agriculture; healthcare; transportation and communications; logistics; banking and financial services and insurance.

Key Observations and the Way Forward

Central Asian Republics face various domestic and regional challenges in political, economic as well as security spheres. The disintegration of Soviet Union has resulted in further disintegration of economic and trade linkages existed in the pre-Soviet Union era, leading to economic recession in CARs in 1990s. The situation has improved in the latter years with CARs witnessing high growth rates and improvement in per capita incomes. CARs are among the largest resource rich countries globally, though they were not able to fully utilize their existing reserves to full potential due to challenges such as insufficient connectivity, lower regional integration, and inadequate facilities to exploit these resource base. Tackling these joint challenges would improve stability, connectivity, intra-regional trade, regional energy trade and increase investment flows into the region.

- **Enhanced Regional Cooperation:** Though CARs have been trying to increasingly integrate themselves into global economy, the integration process has been slow. A lack of comprehensive efforts from all the 5 countries in trade, economic and infrastructural projects has limited the intra-regional trade and

development. A closer intra-regional cooperation is necessary to improve the business and investment climates and improved trade and investment.

- **Economic Modernization:** To improve the investment and business climate, CARs are increasingly opening up their markets. There has been improvements in the doing business rankings of CARs, with all 5 countries implementing structural reforms to improve their business environment, competitiveness and enhance modernization. On the other hand, existence of large number of government and public sector enterprises has impacted market transition process of CARs.

- **Enhancing Infrastructure Development:** The landlockedness of CARs are the major reason behind inadequate connectivity facilities among the countries in the region and rest of the world. Unrestricted movement of goods, services, people and capital between these countries are necessary for their enhanced economic development. The situation has improved in the recent years, owing to various connective infrastructural projects started with collaboration from neighboring countries including India and China, which is expected to further increase FDI inflows into CARs. Moreover, the countries have realized the importance of infrastructure projects in enhancing their global integration and are taking necessary steps to utilize the previously unexplored resources.

- **Reduced dependence on Remittances:** Though CARs are blessed with abundant low cost labour supply, large scale labour migration remains a major challenge in these countries. The high unemployment and inflation in the region has resulted in increased migration of labours to Russia, China, Kazakhstan (from other CARs) and Turkey. Foreign remittances have brought about much needed foreign exchange, supporting high growth and standard of living. On the other hand, large scale migration has also resulted in limited availability of qualified and highly skilled labour in the parent country. Moreover, these high level dependence on remittances make these countries vulnerable to economic situation of receiving countries. It is imperative that CARs create plausible conditions for generating more productive activities and new tradable sectors to avoid excessive dependence on foreign labor markets.

- **Improved Intra-regional Trade:** Landlockedness of CARs with limited transport connectivity has impacted intra-regional trade in the region. Absence of a formally established trade and economic cooperation agreement among the countries is another factor that constrained regional trade integration in CARs. In 2018, the share of intra-regional exports in total exports of the region

stood at 6.6 percent, which remains low compared to other major regions. Since CARs are major commodity producers, there exist low complementarity in production and lack of competitiveness, impacting intra-regional trade. CARs need to resolve bilateral issues and arrive at an economic cooperation agreement which will break down tariffs and non-tariff barriers to reduce trade costs and would allow access to each other's markets for a greater range of goods. Moreover, importance to be given to trade facilitation measures such as efficiency of customs and other border procedures, quality of transport, and cost of international and domestic transport.

- **Trade Diversification:** CARs have identified trade diversification as a major economic goal. However, exports of the CARs are concentrated both in terms of products and markets. Commodity resources still dominate the exports of CARs. Moreover, due to increased concentration on few products, CARs remain highly vulnerable to the decline in the prices of oil, natural gas, metals and agricultural raw materials. In addition, mostly due to their geographical location, CARs are heavily dependent on a few trading partners / export markets including Russia and China, making these countries vulnerable further to shocks affecting these partner countries. An increased diversification is necessary to bring about higher economic growth and reducing the vulnerability to external shocks.

- **India and Central Asia – Need for Enhanced Trade and Improved Connectivity:** Central Asia is an integral part of India's Eurasian Agenda. CARs are considered as a gateway to Eurasia, and strong links with CARs would support India's outreach to these geographical regions. India's current trade engagement with CARs remains sub-optimal. There is huge trade and investment potential among both regions, realization of which requires substantial improvement in transport connectivity. Strengthening of economic ties between India and CARs, especially in trade and energy will be beneficial for both parties. There also exists vast scope for collaboration between India and CARs in sectors such as IT and high technology products. Investing in infrastructure development projects in CARs including rail, road and energy sector are some of the plausible options for Indian investors. India's strength in project exports would also pave way for investment in these regional infrastructure projects. India's pro-active and comprehensive policies towards CARs would support India to create long-term linkages in the region.

1. CENTRAL ASIA: AN OVERVIEW

Central Asia is situated at the core of the Eurasia region. It extends from the Caspian Sea in the West to China in the East, and from Afghanistan in the South to Russia in the North. While the idea of Central Asia as a distinct region of the world was introduced way back in 1843, it continues to be defined differently by different organisations. Soon after their independence, the leaders of the four former Soviet Republics located in the heart of Eurasia viz. Uzbekistan, Tajikistan, Turkmenistan and Kyrgyzstan defined Central Asia to include Kazakhstan together with these four nations. Accordingly, we have used Central Asia to include these five republics[1] of the former Soviet Union **(Exhibit 1.1)**. The region is richly endowed with natural resources and has a combined population of 72.1 million as of 2018.

The geopolitics of energy security makes Central Asian Republics (CARs) important global powers to be reckoned upon. While Central Asia is becoming an increasingly dynamic region connecting Eastern Europe and West Asia, it can also be a challenging region for traders and investors. It may be noted that, out of the five CARs, only Kazakhstan, Kyrgyzstan and Tajikistan are members of the World Trade Organisation (WTO), while Uzbekistan is in the process of negotiating its accession to the WTO. Turkmenistan is yet to apply for WTO membership. Benefiting from abundant hydrocarbon and other mineral resources, the energy sector plays a major role in the economic development of CARs. Except for Turkmenistan, rest of the countries are founding members of the Asia Infrastructure Investment Bank (AIIB), which plays a pivotal role in supporting the development of sustainable infrastructure and other productive sectors in Asia and beyond.

Over the past decade, Central Asia has emerged as a vital region in the global energy market. CARs possess large volumes of oil and natural gas, though the region's energy infrastructure remained largely underdeveloped. Among the countries in the region, Kazakhstan holds the largest offshore oil and gas reserves, which are mostly directed towards Russia and China.

[1]Source: UN Data (https://population.un.org/wpp/Download/SpecialAggregates/Geographical/)

Exhibit 1.1: Map of Central Asian Republics

Note: Map not to scale and is only for depiction purpose.
Source: United Nations, Geospatial Information Section

REGIONAL GROUPINGS IN CENTRAL ASIA

Commonwealth of Independent States

Commonwealth of Independent States (CIS) is a regional inter-governmental organization founded in December 1991 by Belarus, Russia and Ukraine. The 'Creation Agreement' remained the main constituent document of the CIS until January 1993, when the CIS Charter[2] was adopted. The charter formalized the concept of membership, and specific measures were developed to deepen cooperation in six main areas: economic, military, peacekeeping, border issues, humanitarian and social issues and coordination of foreign policy. In September 1993, CIS countries signed an agreement on the creation of an Economic Union, based on free movement of goods, services, labour force, capital; to elaborate coordinated monetary policy, tax, price, customs, external economic policy; to bring together methods of regulating economic activity and create favourable conditions for the development of direct production relations. In 1999, Tajikistan

[2]CIS Charter, 22 January 1993 (http://www.cis.minsk.by/page.php?id=78)

became a participant of the customs union. At present the CIS includes[3] Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine.

Central Asia Regional Economic Cooperation Programme

Central Asia Regional Economic Cooperation (CAREC) Program[4] is an initiative established in 2001 to encourage economic cooperation among countries in the Central Asian region. CAREC Program covers the five CARs and 6 other countries, including Afghanistan, Azerbaijan, China, Georgia, Mongolia and Pakistan. CAREC's goal is to accelerate growth, improve living standards and to reduce poverty in CAREC countries through more efficient and effective regional economic cooperation. The Program's long-term vision is Good Neighbors, Good Partners, and Good Prospects.

CAREC program has focused on financing infrastructure projects and improving policy environment in the four priority areas of transport (especially road transport), energy (including the water-energy nexus), trade policy, and trade facilitation (especially customs cooperation). CAREC is an alliance of multilateral institutions, including Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), International Monetary Fund (IMF), Islamic Development Bank, United Nations Development Programme (UNDP), and World Bank, that are active in promoting economic cooperation in Central Asia. During 2001 to September 2019, investments in member countries have amounted to more than US$ 37 billion, covering 185 projects particularly in the areas of transport, energy, trade, and development of economic corridors. The six CAREC corridors link the region's key economic hubs to each other, and connect the landlocked CAREC countries to other Eurasian and global markets.[5]

Economic Cooperation Organization

Economic Cooperation Organization (ECO) is an organization established in 1985 by Iran, Pakistan and Turkey for the purpose of promoting economic, technical and cultural cooperation among the member countries. It involves seven Asian and three Eurasian nations' viz. Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan. ECO's secretariat is located in Tehran. It was the successor organisation of Regional Cooperation for Development (RCD), founded in 1964, which ended activities in 1979. It provides a platform to discuss ways to improve development and promote

[3]Source: http://www.cisstat.com/eng/frame_about.htm
[4]Source: http://www.adb.org/countries/subregional-programs/carec
[5]CAREC website, https://www.carecprogram.org/

trade, and investment opportunities. The common objective is to establish a single market for goods and services, much like the European Union (EU). The priority areas of cooperation include trade, transport and connectivity, energy, tourism, economic growth and productivity, social welfare, and environment. The organization envisages optimization of the use of available resources in the region and supports sustainable development in the member countries.

Eurasian Economic Union

Central Asian Economic Cooperation (CAEC) was created in 1994, with Kazakhstan, Kyrgyzstan and Uzbekistan signing the Treaty on the Formation of an Integrated Economic Space (IES), and was joined by Tajikistan in 1998. In 2002, with a change in the regional geopolitical situation, the members tried to transform the organization into the Central Asian Cooperation Organisation (CACO). In 2005, the CACO merged into the Eurasian Economic Community (EurAsEC). EurAsEC was founded in 2000 to establish an economic zone comprising Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan. Uzbekistan became the sixth member of the EurAsEC in 2006, but withdrew its participation in 2008.

Under the leadership of Russia, the first phase of economic integration in the region, Eurasian Customs Union (ECU) involving Belarus, Russia and Kazakhstan began in July 2010, whereby these countries have adopted unified rules and procedures, regulating mutual trade and established a single customs tariff (SCT) and unified customs area. They also agreed to establish unified non-tariff protection measures, anti-dumping legislation and compensatory tariffs in their trade with other countries. In July 2011, customs controls were abolished at their common borders. Free movement of goods, capital, services, and people were fully implemented in 2012, with the formation of the Eurasian Economic Space. In 2014, an agreement on the termination of the EurAsEC was signed and subsequently, EurAsEC was terminated from January 1, 2015 in connection with the launch of the Eurasian Economic Union (EAEU). Taking stock of the inefficiencies and flaws of all the earlier initiatives- the CIS, the CACO, several CIS sub-regional projects, the EurAsEC and the ECU, the EAEU seeks to establish a Customs Union and several common markets, along with the “agreed and coordinated” policies between its member countries. The current members of the EAEU include Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. The EAEU provides for free movement of goods, services, capital and labor; and pursues coordinated, harmonized and single policy in the sectors determined by the Treaty and international agreements within the Union[6].

[6]Website of EAEU, www.eaeunion.org

Central Asian Union

Central Asian Union (CAU), an inter-governmental organization for promoting economic and political integration among CARs, was proposed by the then President of Kazakhstan, in April 2007, to create an economic and political union similar to that of the EU, encompassing the five Central Asian Republics. The presidents of Kazakhstan and Kyrgyzstan had signed an agreement to create an "International Supreme Council" between the two states. In addition, Kazakhstan, Uzbekistan and Kyrgyzstan have signed a Treaty of Eternal Friendship[7]. The proposed Union envisaged to primarily deal with inter-state border issues, trade, visa regimes, tourism and security. While the proposed union had the support of Kazakhstan, Kyrgyzstan and Tajikistan, it was not supported by the other two countries. In March 2018, a Central Asian Summit was held in Astana, attended by the presidents of Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan, and Turkmen parliament speaker, which was the first summit of Central Asian leaders in nearly a decade. The presidents of all CARs met again in November 2019 in Uzbekistan to develop 'forms and mechanisms for the development of cooperation in the areas of trade, economy, investments, transport and transit, agriculture, industrial cooperation, protection of environment, energy, water resources, tourism, science and culture'.

OTHER INITIATIVES

Eurasian Development Bank

Eurasian Development Bank (EDB) is an international financial institution established in 2006 as a joint initiative by Russia and Kazakhstan to promote economic growth among its member countries, extend trade and economic ties among them, and support integration in Eurasia through investment. Armenia, Belarus, Tajikistan and Kyrgyzstan also became members of the EDB in the subsequent years. The Bank's charter capital totals US$ 7 billion, including US$ 1.5 billion of paid-in capital and US$ 5.5 billion of callable capital. It finances investment projects aimed at promoting integration, provides technical assistance through the Technical Assistance Fund, mainly in transport, power, and telecommunications, and conducts research on economic integration through the Centre for Integration Studies. The EDB identifies the priority sectors for each member country according to their economic needs, in the areas in which they need to become more competitive, and the Bank's resources. The EDB's head office is located in Almaty, Kazakhstan. The EDB currently has an investment portfolio of US$ 7.8 billion (as of April 1, 2019).

[7]Source: https://cis-legislation.com/document.fwx?rgn=3894

Shanghai Cooperation Organisation

Shanghai Cooperation Organisation (SCO) is a permanent inter-governmental international organisation created in 2001 as the successor to the Shanghai Group established in 1996. The current members of the Organisation include viz. China, Russia, India, Pakistan, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. With the creation of the SCO, the focus has been shifted from border issues to regional security. The main goals of the SCO include strengthening mutual trust and neighbourliness among the member countries; promoting effective cooperation in politics, trade, economy, research, technology and culture, education, energy, transport, tourism, and environmental protection, among others; making joint efforts to maintain and ensure peace, security and stability in the region; and moving towards the establishment of a democratic, fair and rational new international political and economic order. The SCO has four observer states, namely Afghanistan, Belarus, Iran and Mongolia; and six dialogue partners, namely Armenia, Azerbaijan, Cambodia, Nepal, Turkey and Sri Lanka. Turkmenistan participates in few meetings, but has no specific status. The Secretariat of the SCO is based in Beijing.

European Bank for Reconstruction and Development

European Bank for Reconstruction and Development (EBRD) was founded in 1991 to create a new post-Cold War era in Central and Eastern Europe. The EBRD fosters transition to market economies in countries from Central and Eastern Europe to Central Asia and the Southern and Eastern Mediterranean. As a multilateral developmental investment bank, the EBRD actively invests in 38 countries including CARs, a range of industries, from agribusiness to infrastructure to transport. It is owned by 69 countries (including 5 CARs), as well as the EU and the European Investment Bank (EIB). India has become the 69th shareholder of the EBRD, paving the way for more investment by Indian companies across the EBRD regions.

COMMON ENDEAVOURS OF CENTRAL ASIAN REPUBICS

The CARs strive to achieve common objectives which essentially comprise:

- consistent modernization to ensure continued economic growth;
- ensuring financial instability and enhancing international market confidence;
- provision of social welfare needs especially in the healthcare and education sectors, poverty alleviation and protection of vulnerable social groups;
- avoidance of over-dependence on natural resources to build a competitive, flexible, modern and diversified economy; and

- diversification of the economy and employment creation through higher and technical education.

MAJOR FUNDS IN THE CENTRAL ASIAN REGION

Russia-China Investment Fund

Russia-China Investment Fund (RCIF) is a private equity fund that aims to generate competitive returns by investing in projects that advance bilateral economic cooperation between Russia and China. The Fund was established in June 2012 by two government-backed investment vehicles – Russian Direct Investment Fund (RDIF) and China Investment Corporation (CIC). The fund received US$ 2 billion in commitments from RDIF and CIC in equal share, with up to an additional US$ 2 billion expected to be raised from international institutional investors. RCIF focuses on projects that foster economic cooperation between Russia and China and will invest at least 70 percent of its capital in Russia and the CIS countries (including the five CARs) and up to 30 percent in China. The Fund has identified key focus areas with considerable potential for generating returns, including infrastructure, transportation and logistics, food and agriculture, consumer goods and services, natural resources, and financial services. The backing of the Russian and Chinese Governments provides a level of security to the Fund that cannot be matched by other investment vehicles.

Russian Kyrgyz Development Fund

Russian Kyrgyz Development Fund was established and operates in accordance with the Agreement between the Governments of Kyrgyzstan and Russia, “On Russian Kyrgyz Development Fund” dated November 24, 2014. The Fund is the most important mechanism for the integration of Kyrgyzstan into the Eurasian Economic Union. It was established to promote economic cooperation between Kyrgyzstan and Russia, to modernize and develop the Kyrgyz economy, and effectively use the opportunities arise from the participation of both countries in Eurasian economic integration. The focus of the Fund is the development of those economic sectors, which can create the maximum number of jobs in the short term, while ensuring the competitiveness of the economy and fill the niche in the global economy in the long term.

Uzbekistan Reconstruction and Development Fund

Uzbekistan Reconstruction and Development Fund (UFRD) provides debt financing for modernization and technical upgradation of projects in sectors including energy, chemicals and non-ferrous metallurgy. UFRD was founded by

the Government of Uzbekistan in 2006 and is based in Tashkent, Uzbekistan. It finances or co-finances most large-scale projects in the country. UFRD's participation ensures successful accomplishment of national projects. UFRD provides assistance with its expertise, analysis and liaison with local institutions at all levels. Key sectors supported by UFRD include oil and gas, chemical and petrochemical, energy and power, metals and mining, transport and communications and regional infrastructure.

Kazakhstan Investment Development Fund

Kazakhstan has established Kazakhstan Investment Development Fund in March 2019, with a capital of Tenge 370 billion through the allocation of a targeted transfer from Kazakhstan National Fund. The Fund is created for the implementation of major breakthrough projects in the non-primary sector on the principle of co-investment with foreign investors. Kazakhstan plans to attract FDI in the manufacturing industry, agro-industrial complex, innovation sector and infrastructure development (energy, transport, logistics and tourism).

Eurasian Fund for Stabilization and Development

Eurasian Fund for Stabilization and Development (EFSD) of US$ 8.5 billion was established in 2009 by the Governments of six countries - Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan. The main objectives of the EFSD are to help its member countries mitigate the negative effects of the global financial crisis, to ensure their long-term economic stability, and to foster regional integration. The major tools used by the EFSD include financial credits to support budgets, balances of payments, and national currencies; investment credits for large inter-country and national projects and grants from the EFSD's net profit to finance social programmes. The members appointed the EDB as the EFSD Resources Manager and Secretariat, where the EDB prepares and implements EFSD projects.

2. ECONOMIC PROFILE OF CENTRAL ASIAN REPUBLICS

Central Asian Republics together play an important role as a bridge between Europe and Asia. The location of CARs has made it a “strategic pivot.” Though having no access to sea for trade, a unique blend of economical, political, and geographical features has increasingly raising academic and policy interests on the region.

The region has few high-priced commodities (mainly dominated by oil, gas, cotton and gold), reasonable infrastructure and human capital, and a strategic location to its advantage. These advantages offer extensive potential for growth, trade and investment. Furthermore, CARs have embarked on market-oriented economic reforms to boost economic performance and private sector competitiveness. The changing policies have opened up gamut of opportunities in the region to cooperate on a myriad of areas including trade and transportation. Direct country to country Central Asian trade is being facilitated with the opening of borders.

CARs are generally classified as transition economies and landlocked developing countries. They share borders with each other and with just four other economies - Russia, Iran, China and Afghanistan, resulting in highly concentrated export destinations. According to the UNESCAP, CARs mostly trade among themselves, making them highly dependent on each other and a few other countries. Further, imports from other countries outside the region have to reach them through the bordering countries. Lack of product diversification, highly concentrated export markets and excessive reliance on exports of natural resources are the major issues affecting exports of CARs. These countries are among the most energy-diverse and oil-rich countries, with Kazakhstan being a major oil producer, and Turkmenistan, Kazakhstan and Uzbekistan having huge natural gas reserves. Tajikistan and Kyrgyzstan are also expected to have considerable untapped reserves of oil and natural gas.

Profile of Central Asian Republics

Central Asia is one of the most dynamic economic regions in the world. After gaining independence in 1991, the countries of the region went through gradual transitions to become market economies, initially experiencing significant

economic decline and increased poverty. The situation has started reversing in early 2000s, with the region registering impressive growth rates in the last two decades. However, the performances of the countries were quite diverse in terms of their economic growth, development and growth models, despite having similar histories and cultures. With the adaption of new policy reforms, the 5 countries strive to turn the region into an important trade corridor as was in the past. Its location between Europe and Asia and close proximity to China and Russia have supported the economies of CARs. Economic growth of CARs are largely driven by growing demand for hydrocarbon and metals. Remittance income from Russia is another driving factor behind the high growth of CARs.

In 2018, the combined GDP for CARs increased to an estimated US$ 279.8 billion from US$ 273.8 billion in 2017, and is expected to reach US$ 293.9 billion during 2019. The region witnessed marginal increase of 4.3 percent in its real GDP growth in 2018, compared to 4.2 percent growth witnessed in 2017. Slower growth in the extractive sector reflecting a need for economic diversification and fiscal consolidation in the region has limited the growth. Tajikistan recorded the highest growth in the region at 7.3 percent in 2018, followed by Turkmenistan and Uzbekistan, growing by 6.2 percent and 5.1 percent, respectively. Uzbekistan and Turkmenistan have experienced double digit inflation in 2018, while inflation in Kazakhstan, though in single digit, remained as high as 6 percent. External debt of the region decreased to US$ 171.9 billion (61.4 percent of GDP) in 2018 from US$ 174 billion (63.5 percent of GDP) in the previous year. Total international reserves stood at US$ 86.3 billion, with an import cover of 17 months in 2018 **(Table 2.1)**.

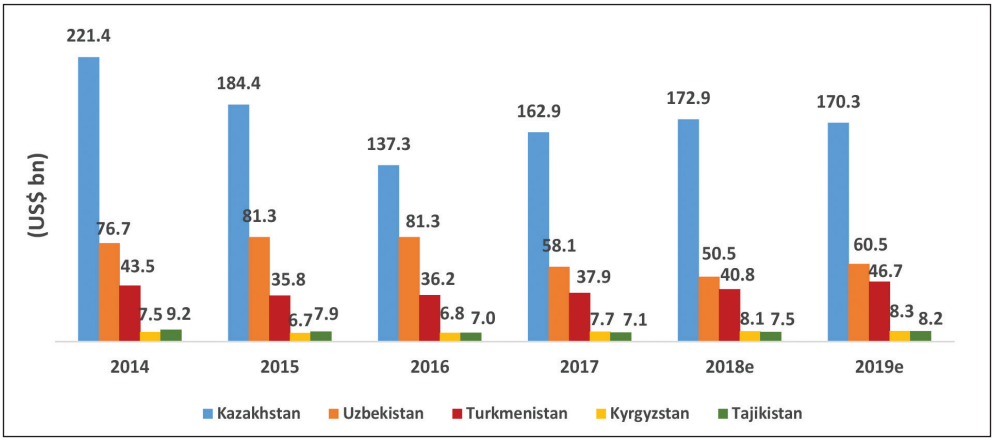
CARs, though rich in natural and human resources, are quite diverse in terms of their stages of development **(Chart 2.1)**. The GDP of Kazakhstan at US$ 172.9 billion in 2018, for instance, is much larger than the combined GDP of the remaining four countries. The economies of CARs witnessed high growth rates in 2000s, supported by high exports of raw materials during a period of exceptionally high commodity prices and significant remittances from labour migrants. Booming Chinese demand for commodities such as coal, copper, and oil and gas boosted the exports of CARs. Increased demand in Russia has led to the country absorbing growing numbers of Central Asian workers, who sent remittances to their home countries.

Table 2.1: Central Asian Republics - Macro Economic Indicators

Economic Indicators	2014	2015	2016	2017	2018[e]	2019[f]
Nominal GDP (US$ bn)	358.3	316.1	268.6	273.8	279.8	293.9
Real GDP growth (%)	4.8	2.4	2.1	4.2	4.3	-
GDP per capita, current prices (US$)	5117.6	4308.3	3715.5	3895.8	4027.0	4191.4
Current account balance (US$ bn)	3.0	-12.7	-16.2	-7.9	-2.4	-7.6
Population (mn)	67.5	68.7	69.9	71.0	72.1	73.3
External debt (US$ bn)	183.8	166.5	177.3	174.0	171.9	-
Forex reserves (US$ bn)	82.1	80.1	82.7	85.9	86.3	-

Note: e-Estimates; f-Forecasts; - not available
Source: IMF WEO October 2019, World Bank and Economist Intelligence Unit (EIU)

Chart 2.1: Nominal GDP of Central Asian Republics



Note: e- Estimates
Source: IMF WEO October 2019

In terms of the structure of economies, services sector is the most dominant sector in the region, except for Turkmenistan, where manufacturing sector plays a dominant role in the country's GDP. Manufacturing also remains a significant sector in case of GDP of other economies. The limited connectivity between the region and the rest of the world, incompatibility of individual economic regimes, political issues, prolonged conflicts in the neighborhood (Afghanistan) and partly closed borders remain the obstacles for increased trade and economic development.

Central Asian Republics: Abode to Rich Mineral Resources

CARs are endowed with tremendous natural resources. Over the past decade, the region has emerged as a vital link in the global energy scenario with the eastward shifting of global economic power. Hydrocarbon and mineral commodity exports and migrant remittances have been the major drivers of growth in the region. CARs have long possessed large volumes of oil and natural gas, though the region's energy infrastructure remained largely underdeveloped due to a number of reasons. The lack of direct access to sea routes makes CARs dependent mainly on pipelines to transport its hydrocarbons to global markets. Kazakhstan is the leading oil producer in the region, with the 11th highest proven crude oil reserves in the world. It is also one of the world's top mineral producers, and possesses vast reserves in a wide variety of metals (ferrous and non-ferrous), precious minerals and hydrocarbons. Kazakhstan, being a landlocked country, is located far from international oil markets. Kazakhstan is a transit country for natural gas pipeline exports from Turkmenistan and Uzbekistan to Europe and Asia.

Uzbekistan and Turkmenistan have large natural gas resources that are yet to be fully exploited. Turkmenistan has the world's fifth-largest reserves of gas (10 percent), and is the region's main gas exporter. It exports its reserves directly to China through the Central Asia-China Gas Pipeline. Turkmenistan is also rich in potassium salts and is also among the main cotton exporters of the world. Uzbekistan also supplies gas through the upgraded pipeline network. Kyrgyzstan and Tajikistan have vast gold reserves, while Tajikistan is also an exporter of aluminium. Tajikistan is the smallest oil reserve holder in the region. The country has 4.4 gigawatts (GW) of electricity generating capacity, about 90 percent of which is hydroelectric. CARs seek to diversify their export destinations and are generally viewed as favorable investment destinations by many investing companies.

ECONOMIC PROFILE OF CENTRAL ASIAN REPUBLICS

This section provides the broad overview of the prevailing economic conditions in Central Asian Republics.

KAZAKHSTAN

Kazakhstan is a transcontinental country in Central Asia and Eastern Europe. With a land area of 2.72 million square kms, it is the ninth largest country in the world by land area. It is also the world's largest landlocked country, but has one of the lowest population densities globally. The Kazakh Steppe (plain), with an

area of around 804,500 square kms, occupies one-third of the country and is the world's largest dry steppe region. The Baikonur Cosmodrome, the world's first and largest operational space launch facility, is located near Tyuratam, southern Kazakhstan and is leased to Russia.

Kazakhstan shares borders with Russia, China, Kyrgyzstan, Uzbekistan and Turkmenistan, and also adjoins a large part of the Caspian Sea. Hence, the country is strategically important as it links the large and fast-growing markets of China and South Asia and those of Russia and Western Europe by road, rail, and a port on the Caspian Sea[8]. The population of Kazakhstan is 18.4 million (2018), having the second highest population after Uzbekistan in the region and fourth highest among the CIS countries. Kazakhstan has a predominantly young population, with 65 percent of the total population in the 15-64 year age group, reflecting the potential for better skilled and educated work force.

It is one of the top oil and mineral producers globally, and has large and high quality reserves of various metals, minerals and hydrocarbons. The major resources available in the country include oil, gas, uranium, zinc, tungsten, barium, silver, lead, chrome, copper, fluorites, molybdenum, and gold, with extractive industries attracting almost 76 percent of the total FDI in Kazakhstan. Kazakhstan also possesses significant reserves of natural resources for glass and whiteware industry, rare precious stones, and a variety of construction and covering materials. Kazakhstan is ranked first in the world in terms of discovered zinc, tungsten and barite deposits; ranked second in discovered silver, lead and chromite; third in copper and fluorite; fourth in molybdenum, and sixth in gold deposits[9]. Kazakhstan acts as a key transit route for oil and gas going to Europe and China. Known as the bread basket of Central Asia, Kazakhstan is also the tenth largest exporter of wheat globally. As mentioned in 'Kazakhstan 2050 Strategy', the country aims to become one of the top 30 developed economies by 2050.

Domestic Economy

The World Bank classifies Kazakhstan as an upper middle income country. In 2000, Kazakhstan became the first former Soviet Republic to repay all of its debt to the IMF, seven years ahead of schedule. In March 2002, the US Department of Commerce granted Kazakhstan market economy status under the US trade law. This change in status recognized substantive market economy reforms in the areas of currency convertibility, wage rate determination, openness to foreign investment, and government control over the means of production and allocation

[8]World Bank
[9]25th World Mining Congress 2018, Kazakhstan

of resources. Kazakhstan is the only developing country globally to grant GSP preferences notified to the UNCTAD secretariat.

Kazakhstan's growth since the early 2000s has largely been driven by the expansion of the extractive sector and high commodity prices, which have supported growth in consumption and government spending. Since 2000, GDP per capita (PPP based) of the country has risen fourfold, with declining poverty incidence, resulting in significant improvement in country's performance in the World Bank's shared prosperity indicator.

The real GDP growth rate of the country stood unchanged in 2018 at 4.1 percent, with industrial sector witnessing a slowdown, offsetting the gains from accelerated growth in construction, services and agriculture sectors **(Table 2.2)**. While mining sector witnessed a deceleration, increased output at the major oil fields has raised oil production. An increased investment in the oil and gas sector is expected to support economic growth in the medium term. Economic activity is estimated to have moderated to 3.8 percent in 2019, on account of lower exports, including hydrocarbons. In absolute terms, GDP stood at an estimated US$ 172.9 billion in 2018, with a per capita GDP of US$ 9,401.

Table 2.2: Kazakhstan's Macroeconomic Indicators

Indicator	2014	2015	2016	2017	2018[e]	2019[f]
Nominal GDP (US$ bn)	221.4	184.4	137.3	162.9	172.9	170.3
Real GDP growth (%)	4.2	1.2	1.1	4.1	4.1	3.8
GDP per capita, current prices (US$)	12713.6	10435.2	7662.0	8970.9	9401.2	9139.1
Inflation, average consumer prices (%)	6.7	6.7	14.6	7.4	6.0	5.3
Population (mn)	17.4	17.7	17.9	18.2	18.4	18.6
Current account balance (US$ bn)	6.1	-6.0	-8.1	-5.1	-0.1	-2.1
Current account balance (% of GDP)	2.8	-3.3	-5.9	-3.1	-	-1.2
External debt (US$ bn)	157.7	153.4	163.7	158.9	156.9	161.0
Forex reserves (US$ bn)	29.2	27.9	29.7	30.7	30.9	30.7
Average exchange rate (Tenge: US$)	179.2	221.7	342.8	326.0	344.7	385.2

Note: e- Estimates; f- Forecasts; -negligible
Source: IMF WEO October 2019 and EIU

Kazakhstan is a service-oriented economy, with the services sector accounting for over 61 percent of its GDP during 2017; followed by the Industrial sector (34 percent) and agriculture sector (5 percent)[10]. Kazakhstan's industrial sector is primarily focused on the extraction and processing of its natural resources. The manufacturing sector accounted for around 12 percent of GDP. Though agriculture accounted for 5 percent of GDP, the sector continues to employ around one fifth (19 percent) of the working population and is critical to addressing poverty and food security, as well as providing an important avenue for diversification of the economy.

Despite heightened inflationary expectations and significant local currency depreciation, average inflation in Kazakhstan moderated from 7.4 percent in 2017 to 6 percent in 2018 as the National Bank of Kazakhstan, the central bank, issued state backed securities to absorb liquidity and bring inflation within its target range of 5-7 percent. Inflation is expected to moderate further to 5.3 percent in 2019, mainly driven by a sharp deceleration in services inflation due to the government's decision to lower tariffs for electricity, natural gas, coal, water and telecommunications from January 2019.

The official currency of Kazakhstan is Tenge. The movements of Tenge partly reflect those of oil prices and the Russian rouble, which is correlated with oil prices and is sensitive to Western sanctions. The exchange rate stood at an estimated Tenge 344.7: US$ 1 in 2018, depreciating from Tenge 326.0: US$ 1 in 2017, due to sanctions-induced shocks to the rouble. The exchange rate is expected to depreciate further to Tenge 385.2: US$ 1 in 2019, with the expectation of a weakening rouble.

After recording a deficit of US$ 5.1 billion in 2017, Kazakhstan's current account deficit narrowed to US$ 0.1 billion in 2018, supported by higher oil prices and a higher growth in export revenue. Due to lower oil prices, current account deficit is estimated to have widened to US$ 2.1 billion (1.2 percent of GDP) in 2019. Kazakhstan's total international reserves increased marginally to an estimated US$ 30.9 billion in 2018 from US$ 30.7 billion in the previous year. Reserves represent an import cover of 11.4 months.

Taxes from oil and gas production and exports have been accumulated in a sovereign wealth fund, the National Fund of the Republic of Kazakhstan (NFRK). The NFRK was established in 2000 with the dual objectives of stabilizing the economy in case of large fluctuations in the oil and gas prices, and generating savings for future generations. In addition to the NFRK, the Government also owns

[10]UNCTADStat

the Samruk-Kazyna Fund, which manages the state-owned enterprises and has a consolidated asset value at about Tenge 25.6 trillion. Among the companies that the fund owns include the state oil and gas company, KazMunayGas, Kazpost, Kazakhtelecom, and Air Astana. The fund is a key player in the Government's efforts to privatize state-owned enterprises and diversify the economy.

Ease of Doing Business and Global Competitiveness

According to the World Bank's Doing Business 2020 Report, Kazakhstan was ranked 25th out of 190 countries in 2019, which is an improvement of 3 places from its previous ranking in 2018 in the ease of doing business parameter, reflecting improvements in the domestic business environment. Further, the World Economic Forum's Global Competitiveness Report 2019, which measures national competitiveness of 141 economies, placed Kazakhstan at the 55th position.

UZBEKISTAN

Uzbekistan is one of the two double landlocked countries in the world, the other being Liechtenstein. Uzbekistan shares borders with five landlocked countries, Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan. Uzbekistan is Central Asia's most populous country, with a population of 32.6 million, comprising largely skilled and educated labour force. Uzbekistan relies mainly on commodity production including cotton, gold, uranium, potassium, and natural gas. Uzbekistan has large gas reserves that are only partially exploited and is consuming most of its gas output with limited exports to Russia and China. Uzbekistan is the second largest natural gas producer in the region, ranking 15th in the world in natural gas extraction, and 10th in the world in consumption of natural gas. The Government has set a goal of raising natural gas production to 70 billion cubic metres (bcm) by 2025 from around 43 bcm currently and is involved in talks on resuming the construction of the Uzbek-stretch of the Central Asia-China Pipeline's Line-D. Uzbekistan has close connection with ancient Silk Road as three of the route's most important cities, Khiva, Bukhara and Samarkand lie in Uzbekistan.

Uzbekistan also ranks 7th in the world in terms of uranium reserves, which is entirely exported (4 percent of world uranium reserves), holds 4th place in the world in terms of total gold reserves, and 7th place in terms of gold production, with 80 tons of gold mined annually. Muruntau gold deposit located in Kyzyl Kum Desert is one of the largest open pit gold mines in the world. Uzbekistan is the world's sixth largest cotton producer and also has rich deposits of copper, globally ranking tenth, besides substantial deposits of silver and iron ore.

Domestic Economy

The World Bank classifies Uzbekistan as a lower middle income country. The economy is based primarily on agriculture and natural resource extraction. While Uzbekistan is a major producer and exporter of cotton, natural gas has replaced it as the major source of foreign currency earnings. Export of hydrocarbons, primarily natural gas, accounted for almost 40 percent of Uzbekistan's foreign exchange earnings in 2018. The Government's reform agenda is focused on the implementation of the five-year development strategy for 2017-21, which is designed to achieve greater economic, social and political openness and build a competitive and market-oriented economy in Uzbekistan.

Uzbekistan's real GDP grew at 5.1 percent during 2018, increasing from 4.5 percent growth witnessed in the previous year, supported by a surge in investment growth financed by substantial increases in directed lending to state-owned enterprises (SOEs) **(Table 2.3)**. All the major sectors were estimated to have witnessed growth in 2019. In absolute terms, GDP stood at an estimated US$ 50.5 billion in 2018, with a per capita GDP of US$ 1,550. Real GDP growth is expected to continue around 5 percent in the medium term, supported by reductions in tax rates and the implementation of reforms to liberalize high-potential growth sectors of the economy, including horticulture, food processing, tourism, textiles and chemicals.

Table 2.3: Uzbekistan's Macroeconomic Indicators

Indicator	2014	2015	2016	2017	2018[e]	2019[f]
Nominal GDP (US$ bn)	76.7	81.3	81.3	58.1	50.5	60.5
Real GDP growth (%)	7.2	7.4	6.1	4.5	5.1	5.5
GDP per capita, current prices (US$)	2514.1	2622.0	2575.5	1810.3	1550.0	1831.6
Inflation, average consumer prices (%)	9.1	8.5	8.8	13.9	17.5	14.7
Population (mn)	30.5	31.0	31.6	32.1	32.6	33.0
Current account balance (US$ bn)	1.1	0.5	0.3	1.5	-3.6	-3.9
Current account balance (% of GDP)	1.4	0.6	0.4	2.5	-7.1	-6.5
External debt (US$ bn)	13.3	14.8	16.3	17.7	17.6	17.6
Forex reserves (US$ bn)	23.8	23.9	26.1	27.7	26.7	28.0
Average exchange rate (Som:US$)	2311.0	2568.0	2962.0	5124.0	8072.0	8712.0

Note: e- Estimates; f- Forecasts
Source: IMF WEO October 2019 and EIU

Uzbekistan is a service oriented economy, with the contribution of sector increasing consistently over the years. It contributed around 46.2 percent of GDP during 2017, followed by industrial sector (34.1 percent) and agriculture sector (19.7 percent). In February 2017, the Government of Uzbekistan adopted and started implementing its Strategy of Actions for the Development of Uzbekistan for 2017–2021, which outlined its political, economic and social priorities, including measures to liberalize the economy and trade.

Though Uzbekistan is implementing various reforms laying the ground for solid economic growth, the price and exchange rate liberalisation and the reduction of subsidies have led to the adjustment of relative prices, resulting in double-digit inflation. Annual average inflation increased to an estimated 17.5 percent in 2018, as against 13.9 percent recorded in 2017, due to the lagged effects of the September 2017 devaluation of the local currency, Som, as well as increased domestic demand. Food price inflation accelerated by around 20 percent in 2018. Rapid credit growth, price liberalization, public wage adjustments and high inflation expectations are expected to maintain price pressures at 14.7 percent in 2019.

In September 2017, the Central Bank of Uzbekistan (CBU) ended its long-standing policy of administratively supporting Som's official exchange rate through a crawling peg by allowing the currency to float freely. As a result, the official exchange rate got converged to the unofficial rate of Som 8,100: US$ 1, leading to an almost 50 percent depreciation. Some of the stringent capital controls on foreign currency has also been relaxed for businesses and individuals. The exchange rate stood at an estimated Som 8,072: US$ 1 in 2018, depreciating from Som 5,124: US$ 1 in 2017. The exchange rate is expected to depreciate further to Som 8,712: US$ 1 in 2019.

A shift towards a more liberal exchange rate and trade regimes in 2017 along with expansionary credit policies in 2018, has resulted in additional imports in the country. This caused Uzbekistan's current account balance to turn into a deficit of 7.1 percent of GDP in 2018 from a surplus of 2.5 percent of GDP in 2017. The current account is likely to remain in deficit in the medium term due to high capital and machinery imports to modernize production in the economy, although the size of the deficit is likely to moderate. Uzbekistan's total international reserves moderated to an estimated US$ 26.7 billion (18.5 months of imports) in 2018 from US$ 27.7 billion in the previous year. Uzbekistan has a moderate external debt at 35 percent of GDP at end-2018.

Remittances, especially from Russia, Kazakhstan and Turkey are another important source of revenue for Uzbekistan. The Government of Uzbekistan has

begun implementing major tax reforms in 2019, which would result in simplifying taxes, expanding the standard corporate tax regime and value added tax, while reducing the tax burden on private firms and workers. Moreover, Uzbekistan is planning to privatize its national oil and gas firm, Uzbekneftegaz (UNG), by 2024 as part of its strategy to boost gas output.

Ease of Doing Business

The World Bank, in its Doing Business 2020 Report, ranked Uzbekistan 69th out of 190 countries in ease of doing business parameter.

TURKMENISTAN

Turkmenistan is bordered by Afghanistan to the southeast, Iran to the south and southwest, Uzbekistan to the east and northeast, Kazakhstan to the north and northwest and the Caspian Sea to the west. Over 80 percent of the country is covered by the Karakum Desert.

Turkmenistan is classified by the World Bank as an upper middle income country. The country is endowed with sizeable gas and oil resources. Turkmenistan holds the fifth-largest natural gas reserves in the world to the tune of 19.5 trillion cubic meters (tcm), with the bulk of the reserves being located onshore in the south eastern part of the country. In spite of this huge reserves, Turkmenistan has few options to diversify its hydrocarbon exports. Among the existing export pipelines, only the Central Asia-China Pipeline is currently active, while pipeline to Russia and Iran are not operative due to geopolitical and economic reasons. Currently, China is the only significant buyer of Turkmenistan's gas, where Russia held the dominant position a decade back. Thus, the dependence on a single export route make Turkmenistan's energy security highly vulnerable.

In 2018, Turkmenistan had an estimated population of 5.8 million, which is the lowest among CARs. Turkmenistan has a predominantly young population with a working population of around 68 percent, indicating the potential for an educated and skilled work force. Turkmenistan is among the top ten producers of cotton, and is famous for its high quality, fine fibre cotton which is widely used in various industries such as textile, food and medical industries.

Domestic Economy

Turkmenistan's real GDP witnessed a robust growth of 6.2 percent in 2018, though moderated from 6.5 percent in 2017 as fiscal consolidation constrained expansion outside of the hydrocarbon sector **(Table 2.4)**. Government consumption, investment and a positive external sector balance supported by

increased exports, accompanied by a severe contraction in imports supported economic growth. The Government's efforts to diversify the economy away from its gas exports dependence (gas accounts for over 80 percent and oil products account for 10 percent of total goods exports) is yet to be fructify. In absolute terms, GDP stood at US$ 40.8 billion in 2018, with a per capita GDP of US$ 7064.7. Economic growth is likely to grow at 6.3 percent in 2019, though restrained by continued fiscal consolidation. The Government has come up with a seven-year plan for social and economic development for 2018-24 that aims to sustain the annual growth rate of real GDP between 6.2 percent and 8.2 percent.

In 2018, services sector dominated Turkmenistan's economy, accounting for 47.9 percent of GDP, closely followed by industry at 44.6 percent. Although agriculture accounts for only 7.5 percent of GDP, it continues to employ nearly half of the country's workforce. The development in the oil and gas industry and the rise in exports have been the main drivers of the economy in recent years. Two initiatives of the country to bring gas to new markets - a Trans Caspian Gas Pipeline (TCGP) to export gas to Europe and the Turkmenistan-Afghanistan-Pakistan-India (TAPI) Gas Pipeline are facing major financing, political and security hurdles.

Inflation increased sharply to an estimated 13.2 percent in 2018, as against 8 percent recorded in 2017, largely owing to severe goods shortages due to currency-rationing and import-substitution policies of the Government. Pressures on the foreign exchange market has driven up prices for imported goods. Subsidy cuts and consequent increases in prices for utilities, public transportation, food, and services and the Government instituted price controls for selected foods and services are having strong impact on prices. Turkmenistan's monetary policy is focused on containing inflation with the Central Bank keeping strict control of cash in circulation, promoting non-cash payments instead, and imposing restrictions on foreign exchange transactions. Inflation is estimated to continue to be in double digits in 2019 given further price adjustments and foreign exchange shortages.

The official currency of Turkmenistan is the Manat. The Manat is pegged to the US dollar at Manat 3.5: US$ 1. The sale of foreign currency was banned in January 2016 along with stringent restrictions on international money transfers, with only banks and exchange offices allowed to purchase foreign exchange. The Manat depreciated sharply against the US dollar in the black market in mid-2018 and was nearly seven times higher than the official exchange rate in May 2018.

Table 2.4: Turkmenistan's Macroeconomic Indicators

Indicator	2014	2015	2016	2017	2018[e]	2019[f]
Nominal GDP (US$ bn)	43.5	35.8	36.2	37.9	40.8	46.7
Real GDP growth (%)	10.3	6.5	6.2	6.5	6.2	6.3
GDP per capita, current prices (US$)	7962.4	6432.7	6412.1	6642.5	7064.7	7816
Inflation, average consumer prices (%)	6.0	7.4	3.6	8.0	13.2	13.4
Population (mn)	5.5	5.6	5.6	5.7	5.8	6.0
Current account balance (US$ bn)	-2.6	-5.6	-7.3	-3.9	2.3	-0.3
Current account balance (% of GDP)	-6.1	-15.6	-20.2	-10.3	5.7	-0.6
External debt (US$ mn)	409.9	367	507.7	783.7	907.3	-
Forex reserves (US$ bn)	27.2	26.6	25.0	24.9	26.6	24.6
Average exchange rate (Manat:US$)	2.9	3.5	3.5	3.5	3.5	3.5

Note: e- Estimates; f- Forecasts; - not available
Source: IMF WEO October 2019 and EIU

Turkmenistan's current account deficit of 10.3 percent of GDP in 2017 turned into a surplus of 5.7 percent of GDP in 2018 on the back of higher exports and restricted imports. In 2019, current account is estimated to fall back into a deficit due to increase in imports, resulting from relaxation of currency and import controls. Capacity constraints in the Central Asia–China Gas Pipelines (CAGP) are expected to slow down exports over the medium term. Turkmenistan's total international reserves moved higher to an estimated US$ 26.6 billion in 2018 from US$ 24.9 billion in the previous year.

TAJIKISTAN

Tajikistan is bordered by Afghanistan to the south, Uzbekistan to the west, Kyrgyzstan to the north, and China to the east. It is the smallest nation in Central Asia by geographical area. With large amount of remittances coming from Russia, Tajikistan is dependent on Russia for its economic growth and to counter security problems. According to the World Bank, remittances formed 31 percent of total GDP of Tajikistan in 2018[11]. Tajikistan has particularly benefited from the sustained rebound of economic activity in Russia, the primary destination of low-skilled migrants from the country.

[11]Migration and Remittances: Recent Development and Outlook, Migration and Development Brief 31, April 2019, World Bank Group and KNOMAD.

The population of Tajikistan was estimated at 9.1 million in 2018. Tajikistan consists of a young population, with working population accounting for 61 percent of total population. Tajikistan's economy is largely dependent on agriculture and livestock raising, with half of the population engaged in agriculture. Tajikistan has large gold reserves. Moreover, the second largest silver mine in the world, Koni Mansur, is situated in the north of Tajikistan. Tajikistan also has the largest reserves of antimony in the CIS region. It also has minerals such as lead, zinc, mercury, molybdenum, tungsten, iron, tin, boron, strontium, fluorspar, rock salt, precious and semi-precious stones, bituminous coal, anthracite, graphite, mineral wax, and phosphates. The Uchkado deposit in the country is unique with its contents of gold, silver, zinc, antimony and lead, and is the only deposit of this type in the world. Cotton is the most important crop, and its production is closely monitored by the Government.

Tajikistan is the world's third largest producer of hydroelectric power after the US and Russia. Nurek Hydropower Plant (HPP) generates about 70 percent of Tajikistan's total annual energy demand. Hydropower is essential for the country, as the country consumes oil, natural gas and coal in large amounts. Less than 50 percent of its total energy needs are being met by domestic production, with Uzbekistan alone supplying more than 70 percent of Tajikistan's petroleum imports. Other CARs such as Kazakhstan and Turkmenistan supply another 27 percent. The cross regional Central Asia-South Asia Electricity Transmission and Trade Project (CASA1000) of the World Bank, upon completion will allow for exports of around 2,700 GWh of surplus hydropower-based energy and bring much-needed revenues for the country's socio-economic development.

Tajikistan is a major trader in commodities such as cotton, aluminium and uranium. Tajikistan's economic situation remains fragile due to challenges such as uneven implementation of structural reforms, weak governance, seasonal power shortages and external debt burden.

Domestic Economy

The economy of Tajikistan registered strong growth at 7.3 percent in 2018, compared to 7.1 percent growth witnessed in the previous year, supported by higher fixed investment and continuing recovery in remittances **(Table 2.5)**. The growth was driven by private consumption and public investment in the energy sector. The mining sector has supported the growth in recent years with the country increasing its exports of minerals such as gold, lead and zinc. Economic growth is estimated to have moderated to 5 percent in 2019, as capital spending moderates following the completion of the second phase of the Rogun project in

April 2019. In absolute terms, GDP stood at an estimated US$ 7.5 billion in 2018, with a per capita GDP of US$ 825.8. Though, the country has witnessed high growth rates and considerable economic potential, economic growth is not very inclusive with Tajikistan having one of the highest poverty rates in the region with slow job creation levels. The National Development Strategy (NDS) 2030 sets a target of increasing domestic incomes by up to 3.5 times by 2030 and reducing poverty by half.

Tajikistan is a service-oriented economy, with the services sector accounting for 41 percent of GDP in 2018, followed by industry (36.1 percent) and agriculture (23.9 percent). The industrial sector is dominated by aluminium production, which remains the largest contributor to overall industrial growth. Tajikistan also has a competitive carpet weaving industry. With foreign revenue highly dependent upon exports of cotton and aluminium, the economy is vulnerable to external shocks.

Annual average inflation moderated to 3.8 percent in 2018, as against 7.3 percent recorded in 2017, supported by prudent monetary policy, relatively inexpensive food imports from Uzbekistan and a cut in the country's transit fees, flat global food prices, and lower railroad tariffs. Inflation is estimated have increased by an average 7.4 percent in 2019, driven by a sharp acceleration in food price due to domestic supply shortfalls.

Table 2.5: Tajikistan's Macroeconomic Indicators

Indicator	2014	2015	2016	2017	2018[e]	2019[f]
GDP (US$ bn)	9.2	7.9	7.0	7.1	7.5	8.2
Real GDP growth (%)	6.7	6.0	6.9	7.1	7.3	5.0
GDP per capita, current prices (US$)	1105.2	919.1	796.0	800.8	825.8	877.3
Inflation, average consumer prices (%)	6.1	5.8	5.9	7.3	3.8	7.4
Population (mn)	8.4	8.5	8.7	8.9	9.1	9.3
Current account balance (US$ bn)	-0.3	-0.5	-0.3	0.2	-0.4	-0.5
Current account balance (% of GDP)	-3.4	-6.1	-4.2	2.2	-5.0	-5.8
External debt (US$ bn)	5.1	5.1	5.2	6.1	6.0	-
Forex reserves (US$ mn)	177.4	64.4	107.3	641.8	366.8	266.9
Average exchange rate (S: US$)	4.9	6.2	7.8	8.6	9.2	9.5

Note: e- Estimates; f- Forecasts; - not available
Source: IMF WEO October 2019 and EIU

The Tajikistani economy is highly dependent on imports as a result of a wide range of commodities consumed domestically. Imports include a wide range of goods used as investment resources, such as aluminium oxide used in aluminium processing, petroleum products, non-ferrous metals, machinery and equipment as well as finished products such as wheat, flour, foodstuffs, electricity and natural gas[12]. The export structure is limited to a small line of export goods produced in Tajikistan including aluminium, raw cotton, electricity, fruit and vegetables and mineral resources. The Tajik Aluminium Company (TALCO) owned and operated by the state, operates the largest aluminium smelter in the region. Tajikistan has no known bauxite ore reserves, and needs to be imported. Chinese investments in the asset modernization has not been fully effective, while chronic electricity shortage has a detrimental effect on the volume and quality of the product. The current account of the country is expected to remain in deficit due to continued strong demand for capital-intensive imports for the construction activities and a remittance propelled expansion of private consumption.

The official currency of Tajikistan is the somoni (S). In 2017, the authorities started a managed deprecation of the somoni against the US dollar. The exchange rate stood at S 9.2: US$ 1 in 2018, depreciating from S 8.6: US$ 1 in 2017. The exchange rate is estimated to have depreciated to S 9.5: US$ 1 in 2019.

The current account surplus of 2.2 percent of GDP recorded in 2017, supported by a sharp contraction in imports turned into a deficit of 5 percent of GDP in 2018, driven by recovery in imports owing to growing private consumption and increased investment inputs for infrastructure projects. Tajikistan's total international reserves fell to US$ 366.8 million in 2018 from US$ 641.8 million in the previous year. Reserves represent an import cover of 4 months.

Ease of Doing Business and Global Competitiveness

As per the World Bank's Doing Business 2020 rankings, Tajikistan was ranked 106th out of 190 countries in ease of doing business parameter. The World Economic Forum's Global Competitiveness Report 2019 ranked Tajikistan at the 104th position among 141 countries.

KYRGYZSTAN

Kyrgyzstan is bordered by Kazakhstan to the north, Uzbekistan to the west, Tajikistan to the southwest and China to the east. Kyrgyzstan has a total population of 6.3 million, with working population accounting for 63 percent of its

[12]25 Years of Coping: Key Economic Trends in Tajikistan, Aza Migranyan, Russian Council 2017

population in 2018. The country is widely regarded as the "island of democracy in Central Asia", and was the first country in Central Asia to hold democratic parliamentary elections.

Kyrgyzstan possesses substantial reserves of gold, and also has rich deposits of antimony, coal, tin, uranium, rare earth metals, polymetallic ores, and limited hydrocarbons, oil and natural gas. Apart from gold, the country's most significant natural resource is its plentiful water supply, which has enabled it to become a large hydroelectricity provider and exporter to the Central Asian grid. Kyrgyzstan depends on oil and gas imports for more than half of its energy needs, especially during the winter when hydropower production is low.

Domestic Economy

The Government of Kyrgyzstan is committed to the country's overall development. Through economic stabilization and reform, the Government seeks to establish a pattern of long-term consistent growth. Kyrgyzstan's Sustainable Development Strategy 2040 and medium term development plan for 2018–22 have outlined steps for future development efforts and a shift towards a private sector–led economic model. The overall macroeconomic scenario in Kyrgyzstan is improving. However, the economy of Kyrgyzstan is vulnerable to external shocks owing to its reliance on output from one gold mine, Kumtor, which accounts for about 10 percent of GDP; on worker remittances and reliability on neighbors and Russia in particular. According to the World Bank, remittances form 33.6 percent of the total GDP of Kyrgyzstan in 2018.

Kyrgyzstan's real GDP growth moderated to 3.5 percent in 2018, as compared to a growth of 4.7 percent recorded in the previous year, in line with slower growth in mining and manufacturing **(Table 2.6)**. Slower growth in the large gold mining industry of the country outweighed gains in textiles and apparel sector. Real GDP growth is estimated to have increased marginally to 3.8 percent in 2019 with rise in remittances, increased gold production, and higher non-mineral exports supported by the EAEU integration. Kyrgyzstan joined the EAEU officially in August 2015. GDP growth will be supported by continued increase in remittance inflows, an expansionary monetary policy and rising public investment. In absolute terms, GDP stood at an estimated US$ 8.1 billion in 2018, with a per capita GDP of US$ 1,294.

In 2018, services sector dominated Kyrgyzstan's economy, accounting for 57.9 percent of GDP, followed by industry (32 percent) and agriculture (13.6 percent). The Government's policy of economic liberalisation has succeeded in increasing the importance of trade. The low investment into the tourism sector, however,

remains a major constraint on the sector's growth. On account of rich deposits of minerals and natural metals, metallurgy is an important and thriving industry, with the Government hoping to attract large FDI into this sector. Kyrgyzstan is known for its traditional handicrafts such as wood carving, carpet weaving, and jewelry making. The industrial sector faces challenges mainly on account of the low levels of investment and restructuring.

Agriculture is an important sector of the economy in Kyrgyzstan, with over 50 percent of population engaged in agricultural and allied activities. Agricultural processing is a key component of the industrial economy as well as one of the most attractive sectors for foreign investment.

Average consumer price inflation in Kyrgyzstan moderated to 1.5 percent in 2018 from 3.2 percent in 2017, mainly driven by slowdown in inflation in Russia and Kazakhstan, combined with reduced volatility of the som against the US dollar. Inflation is estimated to have moderated further to 1.3 percent in 2019, due to weakening global oil prices, along with lower food price inflation.

Table 2.6: Kyrgyzstan's Macroeconomic Indicators

Indicator	2014	2015	2016	2017	2018[e]	2019[f]
Nominal GDP (US$ bn)	7.5	6.7	6.8	7.7	8.1	8.3
Real GDP growth (%)	4.0	3.9	4.3	4.7	3.5	3.8
GDP per capita, current prices (US$)	1292.6	1132.8	1131.8	1254.5	1293.5	1293.0
Inflation, average consumer prices (%)	7.5	6.5	0.4	3.2	1.5	1.3
Population (mn)	5.8	5.9	6.0	6.1	6.3	6.4
Current account balance (US$ bn)	-1.3	-1.1	-0.8	-0.5	-0.7	-0.8
Current account balance (% of GDP)	-17.0	-15.9	-11.6	-6.2	-8.7	-10.0
External debt (US$ bn)	7.3	7.6	8.0	8.2	8.1	-
Forex reserves (US$ bn)	1.8	1.6	1.8	1.9	1.7	-
Average exchange rate (S: US$)	53.7	64.5	69.9	68.9	68.8	69.8

Note: e- Estimates; f- Forecasts; - not available
Source: IMF WEO October 2019 and EIU

Current account deficit widened to 8.7 percent of GDP in 2018, from 6.2 percent of GDP recorded in 2017, driven by a rise in services imports. The deficit is estimated to have widened marginally to 10 percent of GDP in 2019, reflecting structural constraints to exports and the higher import content of public investment. Kyrgyzstan's total international reserves decreased to an estimated US$ 1.7 billion in 2018 from US$ 1.9 billion in the previous year, representing an import cover of 5 months in 2018.

Ease of Doing Business and Global Competitiveness

As per the World Bank's Doing Business 2020 Report, Kyrgyzstan was ranked 80th out of 190 countries, in ease of doing business parameter. In terms of global competiveness, the World Economic Forum's Global Competitiveness Report 2019 ranked Kyrgyzstan at the 96th position among 141 countries.

PARTNERSHIP AGREEMENTS

The dominance of Russia in the foreign policies of CARs remains a significant driver for many western countries economic, political and trade strategies towards Central Asian Republics. The quest for energy security is a major determinant in these relationships. Interest in the region's vast energy resources by one side and the drive to achieve energy security through diversifying supply and reducing dependence on Russia by the other side lead to various cooperation agreements. Cross-border trading in the region remains a major challenge because of trade barriers and poor transit systems.

Three out of the five CARs, Kyrgyzstan, Tajikistan and Uzbekistan, benefit from favourable access to the EU market, through the Generalised Scheme of Preferences (GSP). Being upper middle income-level economies, Kazakhstan and Turkmenistan are no longer beneficiaries of this scheme. Kyrgyzstan also benefits from the GSP+ scheme, which grants additional preferences. A Partnership and Cooperation Agreement (PCA) governs the EU's bilateral trade relations with Kyrgyzstan, Tajikistan and Uzbekistan. In terms of trade, these are non-preferential agreements – ensuring most-favoured nation treatment and prohibiting quantitative restrictions in bilateral trade.

The EU's bilateral trade relations with Kazakhstan are covered by an Enhanced Partnership and Cooperation Agreement (EPCA), signed in Astana on December 21, 2015. This new agreement, once ratified by all member countries and the European Parliament, will replace the PCA in force since 1999. Its provisional application started on May 1, 2016. The PCA concluded with Turkmenistan in 1998 has not yet been ratified by all EU members. Pending ratification, an Interim Agreement on trade and trade related matters entered into force on August 1,

2010. Other areas of cooperation remain based on the Trade and Cooperation Agreement signed with the Soviet Union in 1989 and subsequently endorsed by Turkmenistan. The EU has concluded an EPCA with Kyrgyzstan and is negotiating an EPCA with Uzbekistan.

The US has signed a Trade and Investment Framework Agreement (TIFA) with CARs. The objective of the TIFA is to provide a forum for addressing trade issues and enhancing trade and investment between the US and CARs. The TIFA also provides a platform to address regional trade issues that hamper intra-regional trade, economic development and investment. The TIFA creates a United States-Central Asia Council on Trade and Investment, which is designed to consider a wide range of issues that include, but are not limited to, intellectual property, labor, environmental issues and enhancing the participation of small- and medium-sized enterprises in trade and investment.

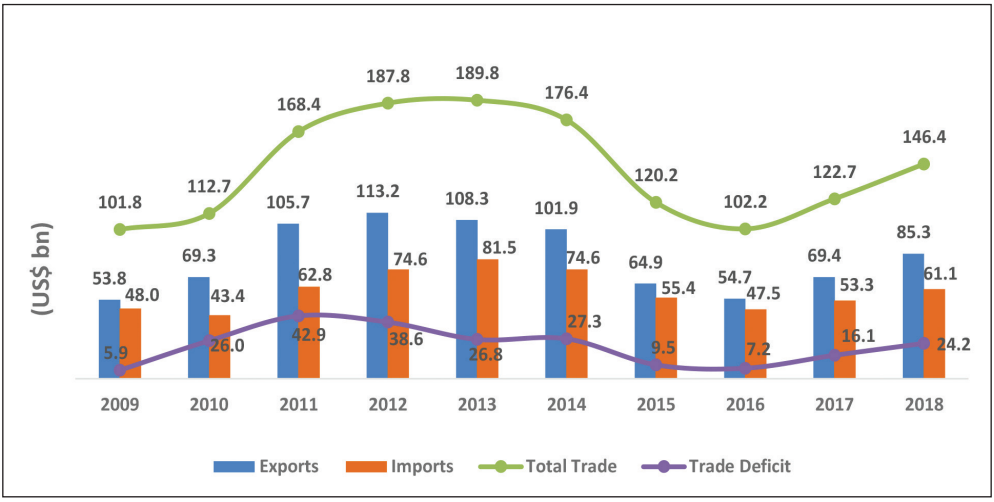
3. TRENDS IN FOREIGN TRADE OF CENTRAL ASIAN REPUBLICS

Central Asian Republics have laid importance to increasing international trade since their independence. The region remain distant from the major global trade and economic centers, including North America, Western Europe, East and South-East Asia. Given the inherently challenging situation in Central Asia, expanding international trade is necessary for the overall development of countries in the region. However, international trade remains below potential levels, confined by limitations in connectivity, market access issues, limited bilateral engagement and difficult trade and transport facilitation.

Total trade of the CARs increased by a CAGR of 4.1 percent from US$ 101.8 billion in 2009 to US$ 146.4 billion in 2018, with increase in both exports and imports during the period. The region enjoys a favourable trade balance which increased more than 4-folds from a modest US$ 5.9 billion in 2009 to US$ 24.2 billion in 2018. This trade surplus is mainly driven by large exports of oil and natural gas from the region and rapid increase in their prices in the international markets.

Depending upon the global trends, both exports and imports of the region have recorded a fluctuating trend, especially witnessing moderations during 2009-2010, mainly as a result of global slowdown and reduced international demand, and during 2015-2016 owing to declining commodity prices globally. Exports from CARs increased from US$ 53.8 billion in 2009 to over US$ 85 billion in 2018, growing at a CAGR of 5.2 percent. Imports to the region have also increased moderately from US$ 48 billion to US$ 61.1 billion during the same period, growing at a CAGR of 2.7 percent **(Chart 3.1)**. Among CARs, Kazakhstan is the leading trading nation accounting for almost 64 percent of total trade of the region, followed by Uzbekistan (19 percent) in 2018.

Chart 3.1: International Trade of Central Asian Republics



Source: ITC Trade Map

As identified by the UNESCAP[13], trade structures in CARs follow a production-trade mismatch, due to the prevalence of a less diversified manufacturing base. Central Asia's exports remains heavily skewed towards primary commodities, while manufactured products account for majority of imports.

Concentration of exports is especially high with gas and cotton accounting for 80 percent of total exports of Turkmenistan and crude petroleum accounting for 62 percent of Kazakhstan's total exports. The share of manufactured goods in global exports of CARs are quite low. Other exports of the region include iron and steel; edible vegetables; copper and articles; ores, slag and ash; inorganic chemicals and pearls, precious stones and metals **(Table 3.1)**.

[13] The Asia-Pacific Trade Agreement: Promoting South-South Regional Integration and Sustainable Development, UNESCAP, 2016

Table 3.1: Major Exported Commodities of Central Asian Republics

HS Code	Product label	2009		2018	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share
	All products	**47051.2**	**100.0**	**85274.0**	**100.0**
27	Mineral fuels, oils and products of distillation	32253.0	68.5	55198.9	64.7
72	Iron and steel	2974.3	6.3	4498.5	5.3
07	Edible vegetables, roots and tubers	76.9	0.2	3420.3	4.0
74	Copper and articles	1551.9	3.3	3282.9	3.8
26	Ores, slag and ash	1733.8	3.7	2631.6	3.1
28	Inorganic chemicals	2152.5	4.6	2193.0	2.6
52	Cotton	340.4	0.7	1684.3	2.0
71	Natural or cultured pearls, precious or semi-precious stones and metals	1487.4	3.2	1322.0	1.6
10	Cereals	679.4	1.4	1319.7	1.5
76	Aluminium and articles	197.2	0.4	865.3	1.0

Source: ITC Trade Map

Central Asian Republics have a low degree of trade complementarity as they produce and export similar products, which necessitates the need to look for trade partners beyond their immediate neighbours. Another noticeable feature of the region's trade since 1991 has been its radical reorientation from the former Soviet Union to Western Europe, China and South-East Asia.

The major imports of CARs include machinery and mechanical appliances; electrical and electronic equipment; transport vehicles; petroleum products; iron and steel and articles; pharmaceutical products and plastics **(Table 3.2)**.

On account of the region’s geographical location and landlockedness, its major traditional trading partners have been the neighbouring countries of China and Russia. European countries such as Italy, Netherlands, France, Switzerland, Turkey and UK are also among the leading trade partners for CARs. Russia used to be the major trading partner of CARs, until it was overtaken by China in the early 1990s. China now accounts for 19.5 percent of total exports from CARs, followed by Italy (13.9 percent) and Russia (8.6 percent) **(Table 3.3)**.

Table 3.2: Major Imported Commodities of Central Asian Republics

HS Code	Product label	2009		2018	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share
	All products	**37062.4**	**100.0**	**61106.5**	**100.0**
84	Machinery and mechanical appliances	6919.1	18.7	10977.3	18.0
85	Electrical machinery and equipment	2928.7	7.9	5398.0	8.8
87	Vehicles other than railway or tramway	2324.8	6.3	4673.9	7.6
27	Mineral fuels, oils and products of distillation	3660.8	9.9	4124.5	6.7
73	Articles of iron or steel	5812.2	15.7	3256.2	5.3
72	Iron and steel	840.0	2.3	2965.4	4.9
30	Pharmaceutical products	897.3	2.4	2324.5	3.8
39	Plastics and articles	970.6	2.6	2209.1	3.6
90	Optical, photographic, cine-matographic, medical or surgical instruments	778.0	2.1	1306.7	2.1
44	Wood and articles of wood	497.2	1.3	1219.8	2.0

Source: ITC Trade Map

Table 3.3: Major Export Destinations of Central Asian Republics

Export Destinations	2009		2018	
	Value (US$ mn)	% Share	Value (US$ mn)	% Share
Total Exports	**47051.2**	**100.0**	**85274.0**	**100.0**
China	6480.8	13.8	16631.5	19.5
Italy	6809.2	14.5	11818.2	13.9
Russia	4838.1	10.3	7365.5	8.6
Netherlands	2234.7	4.7	6230.7	7.3
France	3624.3	7.7	3845.6	4.5
South Korea	215.9	0.5	3009.9	3.5
Switzerland	3126.9	6.6	2886.6	3.4
Turkey	1677.4	3.6	2749.7	3.2
Uzbekistan	1058.5	2.2	2194.9	2.6
Spain	596.9	1.3	1864.2	2.2

Source: ITC Trade Map

Although the share of Russia in CARs' total imports has witnessed a decline, the country still remains the dominant source of imports to the region, supplying energy and manufactured products, followed by China and South Korea **(Table 3.4)**.

Table 3.4: Major Import Sources of Central Asian Republics

Import Sources	2009		2018	
	Value (US$ mn)	% Share	Value (US$ mn)	% Share
Total Imports	**37062.4**	**100.0**	**61106.5**	**100.0**
Russia	13254.6	35.8	18542.2	30.3
China	7880.6	21.3	11776.8	19.3
South Korea	1667.8	4.5	2933.9	4.8
Kazakhstan	1516.3	4.1	2763.8	4.5
Germany	3010.6	8.1	2683.9	4.4
Turkey	1995.6	5.4	2635.7	4.3
Italy	2242.0	6.0	1866.2	3.1
USA	1916.9	5.2	1819.0	3.0
Japan	821.9	2.2	1311.4	2.1
Uzbekistan	418.8	1.1	1184.3	1.9

Source: ITC Trade Map

Intra-regional Trade of Central Asian Republics

Landlockedness of CARs, along with limited transport connectivity affect both inter-regional and intra-regional trade. Intra-regional exports/imports as a proportion of total Central Asian exports to/ imports from the world have been rather low.

In 2009, intra-regional exports accounted for 5.1 percent of total exports of CARs, which has improved marginally to 6.6 percent in 2018. In case of intra-regional imports, share of CARs has improved from 5.0 percent in 2009 to 8.9 percent in 2018. Trade between state-owned companies often conducted under inter-governmental agreements accounts for a significant proportion of intra-regional trade. The trade among CARs are constrained by disagreements resulting from border demarcation, water management, the supply of and payments for energy, ethnic tensions and restrictive visa regimes and the absence of a trade and economic cooperation agreement. Another reason behind lower intra-regional trade is weak trade complementarity among the countries, as most of the countries are producers and exporters of similar products.

The Herfindahl–Hirschman Index of Export Concentration in CARs

The concentration index or Herfindahl-Hirschmann Index (Product HHI), is a measure of the degree of product concentration. The normalized HHI is used in order to obtain values between 0 and 1, an index value closer to 1 indicates that a country's exports or imports are highly concentrated on a few products. On the contrary, values closer to 0 reflect exports or imports are more homogeneously distributed among a series of products.

$$H_j = \frac{\sqrt{\sum_{i=1}^{n} \left(\frac{x_{ij}}{X_j}\right)^2} - \sqrt{1/n}}{1 - \sqrt{1/n}}$$

where

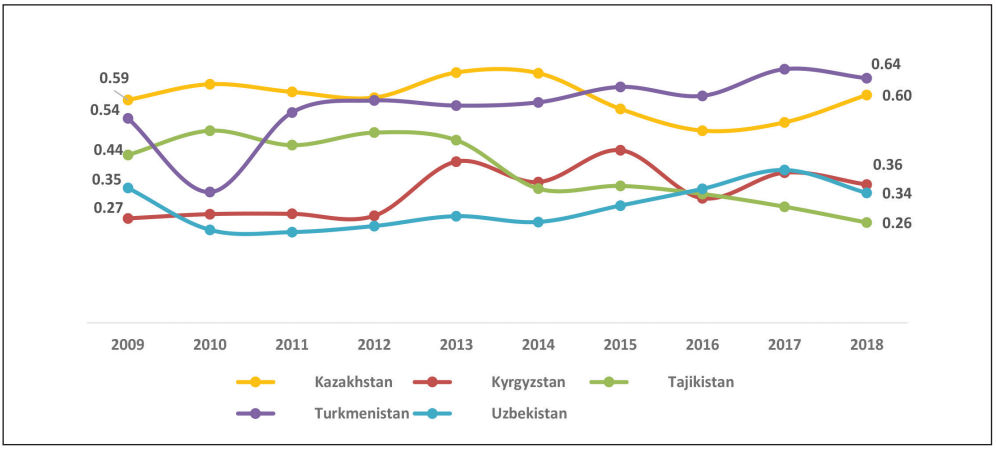
H_j = country or country group index

x_{ij} = value of export for country j and product i

and

n = number of products (SITC Revision 3 at 3-digit group level).

Chart 3.2: Product Concentration Index of Exports in CARs



Source: Calculated based on data derived from UNCTAD

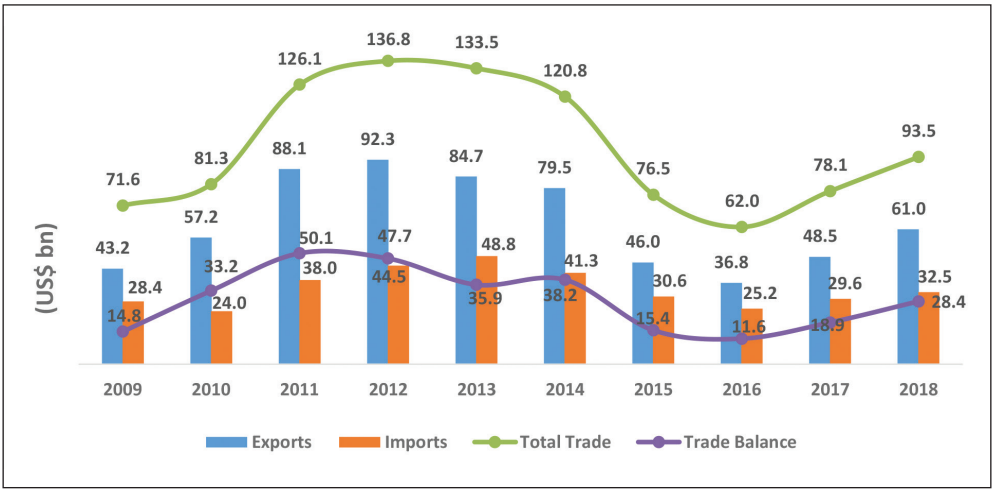
As seen from **Chart 3.2**, among CARs, Turkmenistan and Kazakhstan have the maximum export concentration, while Tajikistan has diversified its exports to the maximum in 2018. For instance, exports of Turkmenistan and Kazakhstan primarily comprise mineral fuels and oil, which accounted for 91 percent and 70 percent of the total export earnings of these countries, respectively in 2018.

Global Trade of Central Asian Republics

KAZAKHSTAN

Kazakhstan is the largest trading nation among CARs, accounting for almost 64 percent of the region's total trade in 2018. Kazakhstan's trade is heavily dependent on the nation's natural resources. Kazakhstan is a member of the EAEU, and on November 30, 2017, Kazakhstan ratified the EAEU Customs Code, which came into force in January 2018. As a consequence, Kazakhstan's import tariff levels (with the exception of a substantial number of transitional tariffs under Kazakhstan's WTO accession), trade-in-transit rules, non-tariff import measures, and customs policies are based on the EAEU legal instruments. In May 2018, the EAEU signed an Interim Agreement to create a temporary free trade area between the EAEU, its member countries and Iran, which will be effective for three years. The Government of Kazakhstan is pushing for diversification, with a focus on its agro-industrial products. Kazakhstan has a specialised agency, Kazakh Export, for boosting growth in the export of goods and services in the priority sectors.

Chart 3.3: International Trade of Kazakhstan



Source: ITC Trade Map

Driven largely by exports, Kazakhstan's total trade has grown from US$ 71.6 billion in 2009 to US$ 93.5 billion in 2018, growing at a CAGR of 3 percent over the period. Exports increased at a CAGR of 3.9 percent from US$ 43.2 billion in 2009 to US$ 61 billion in 2018, while imports have increased moderately from US$ 28.4 billion to an estimated US$ 32.5 billion. It is estimated that Kazakhstan's exports in 2019 witnessed a decline, mainly due to drop in oil prices and the US sanctions against Iran resulting in a sharp decline in Kazakhstan's metal supplies to Iran.

As exports are being driven largely by oil and natural gas, Kazakhstan has been experiencing a positive trade balance over the last decade, with trade surplus increasing from US$ 14.8 billion in 2009 to US$ 28.4 billion in 2018 **(Chart 3.3)**. Exports of Kazakhstan are primarily driven by mineral fuels and oils, which accounted for 70 percent of the total export earnings in 2018. Other leading export items include iron and steel, copper and articles, inorganic chemicals, ores, slag and ash, cereals and salt, sulphur, stone and cement **(Table 3.5)**. While exports of mineral fuels, iron and steel, copper and articles, cereals and aluminium have shown a rapid pickup during 2009-2018, exports of inorganic chemicals and pearls and precious stones have shown moderation during the period.

Major imports of Kazakhstan constitute machinery and mechanical appliances, electrical machinery and equipment, articles of iron and steel, transport vehicles, petroleum products and plastics **(Table 3.6)**. While Kazakhstan exported crude petroleum oil, refined copper in the form of cathodes and sections of cathodes, natural gas, and ferro-chromium; it imported more of manufactured products such as angles, shapes and sections of iron or non-alloy steel, flat-rolled products of iron or non-alloy steel, petroleum products, and structures and parts of iron or steel.

Table 3.5: Major Exported Commodities of Kazakhstan

HS Code	Product label	2009		2018	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share
	All products	**43195.8**	**100.0**	**60956.2**	**100.0**
27	Mineral fuels, oils and products of distillation	30027.2	69.5	42737.9	70.1
72	Iron and steel	2970.1	6.9	4160.4	6.8
74	Copper and articles	1550.8	3.6	2549.0	4.2
28	Inorganic chemicals	2141.5	5.0	2135.2	3.5
26	Ores, slag and ash	1731.3	4.0	2087.2	3.4
10	Cereals	676.3	1.6	1296.2	2.1
25	Salt, sulphur, earths, stone and cement	193.9	0.4	649.6	1.1
76	Aluminium and articles	194.4	0.4	634.8	1.0
71	Natural or cultured pearls, precious or semi-precious stones and metals	947.6	2.2	523.2	0.9
11	Products of the milling industry	586.8	1.4	466.2	0.8

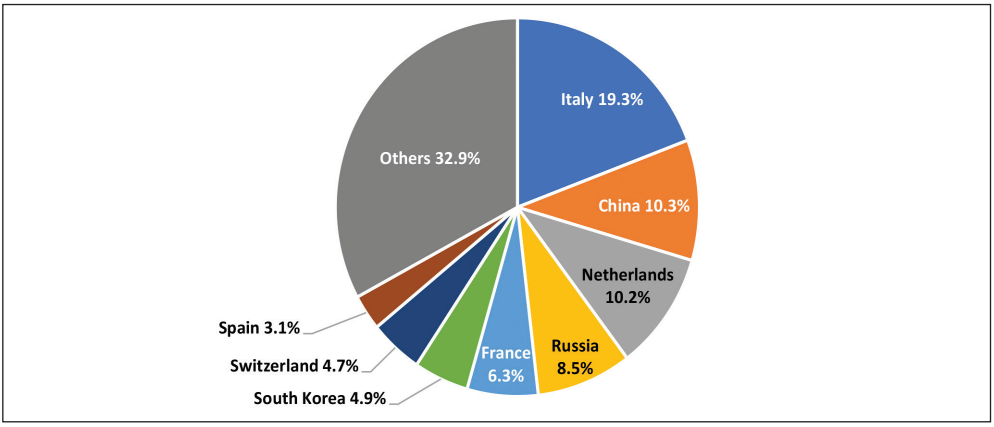
Source: ITC Trade Map

Table 3.6: Major Imported Commodities of Kazakhstan

HS Code	Product label	2009		2018	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share
	All products	**28408.7**	**100.0**	**32533.5**	**100.0**
84	Machinery and mechanical appliances	5428.6	19.1	5193.4	16.0
85	Electrical machinery and equipment	2300.0	8.1	3845.5	11.8
73	Articles of iron or steel	4569.7	16.1	2187.6	6.7
87	Vehicles other than railway or tramway	1553.3	5.5	2037.9	6.3
27	Mineral fuels, oils and products of distillation	2834.8	10.0	1743.8	5.4
39	Plastics and articles	780.7	2.7	1241.5	3.8
30	Pharmaceutical products	759.6	2.7	1177.9	3.6
72	Iron and steel	623.0	2.2	1125.3	3.5
90	Optical, photographic, cinematographic, medical or surgical instruments	622.6	2.2	880.3	2.7
26	Ores, slag and ash	70.0	0.2	755.5	2.3

Source: ITC Trade Map

Chart 3.4: Major Export Destinations of Kazakhstan in 2018

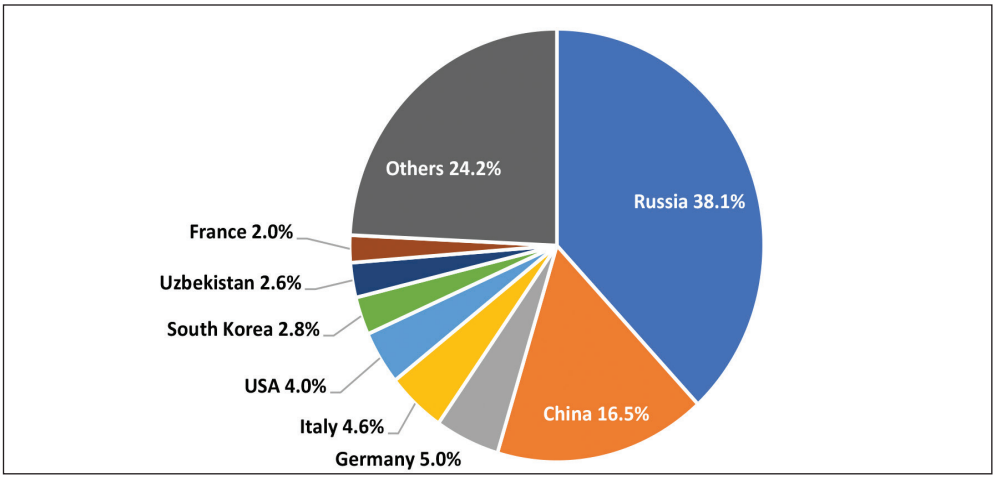


Source: ITC Trade Map

Italy remained the largest destination for Kazakhstan's exports, with Kazakhstan's exports to the country accounting for over 19 percent of its total exports in 2018 and amounting to US$ 11.7 billion. Other leading export markets for Kazakhstan include China, Netherlands, Russia, France, South Korea, Switzerland and Spain **(Chart 3.4)**.

With regards to imports, Russia is the largest import source for Kazakhstan, accounting for more than 38 percent of its total imports, amounting to US$ 12.4 billion in 2018. Other leading import sources include China, Germany, Italy and the US. Other Asian countries such as South Korea, Uzbekistan and Japan have also over the years emerged as major import sources **(Chart 3.5)**.

Chart 3.5: Major Import Sources of Kazakhstan in 2018



Source: ITC Trade Map

Trade Regulations and Barriers in Kazakhstan

Import Tariffs in Kazakhstan

As part of its WTO accession in 2015, Kazakhstan agreed to lower 3,512 tariff rates gradually, to an average of 6.1 percent by 2020. In January 2016, Kazakhstan began applying lower tariff rates to certain food products, automobiles, airplanes, railway wagons, lumber, alcoholic beverages, pharmaceuticals, freezers and jewelry. Kazakhstan lowered additional tariff rates in 2017 and 2018, and a total of 2,900 tariff rates were below its 2015 tariffs as of December 1, 2018.

In 2018, Kazakhstan's Most Favored Nation (MFN) applied tariff rate averaged 7.1 percent. Kazakhstan applies a zero percent rate on approximately 1,900 tariff lines, including livestock, pork, fish products, chemical and pharmaceutical products, cotton, textiles, machinery and equipment, medical vehicles and some types of airplanes. Kazakhstan's simple average WTO bound tariff rate is 10.1 percent for agricultural products and 5.9 percent for non-agricultural products.

Taxes

In 2016, Kazakhstan introduced a system of electronic invoicing for all payers of the value added tax (VAT) on imports. Kazakhstan charges a 12 percent VAT, which is paid on top of all customs duties and excise taxes at the time of customs clearance. Importers are expected to declare and pay this tax within a month after shipment. According to the EAEU and Kazakhstan's new Customs Codes, effective January 1, 2018, some importers may obtain deferrals of up to one month for payment of VAT. Taxpayers need to have a VAT registration in Kazakhstan if their turnover during the calendar year exceeds US$ 200,000. Penalties for non-payment on VAT are up to 50 percent of turnover. The country also provides a refund of import duties and taxes when the imported goods are processed in Kazakhstan and exported within two years after importation. The processing operations that qualify for drawback include manufacturing and assembly operations and repairs.

Under the tax code that came into force in January 2018, local producers operating under a special investment contract signed with the Government of Kazakhstan receive VAT exemptions on the import of raw materials and the sale of finished products.

Source: National Trade Estimate Report 2019, USA and WTO

UZBEKISTAN

Uzbekistan accounts for one fifth of the total trade of CARs, with trade heavily dependent on the nation's natural resources. In 2004, Uzbekistan and Russia signed a Strategic Framework Agreement that also includes free trade and investment concessions. In November 2005, the Government signed the "Treaty of Alliance Relations" with Russia, with provision for economic cooperation. In 2004, Uzbekistan, along with other four CARs, signed the regional Trade Investment Framework Agreement (TIFA) with the US Trade Representative's Office. Uzbekistan and Ukraine also agreed to remove all bilateral trade barriers in 2004. In 2014, Uzbekistan joined the CIS Free Trade Zone Agreement.

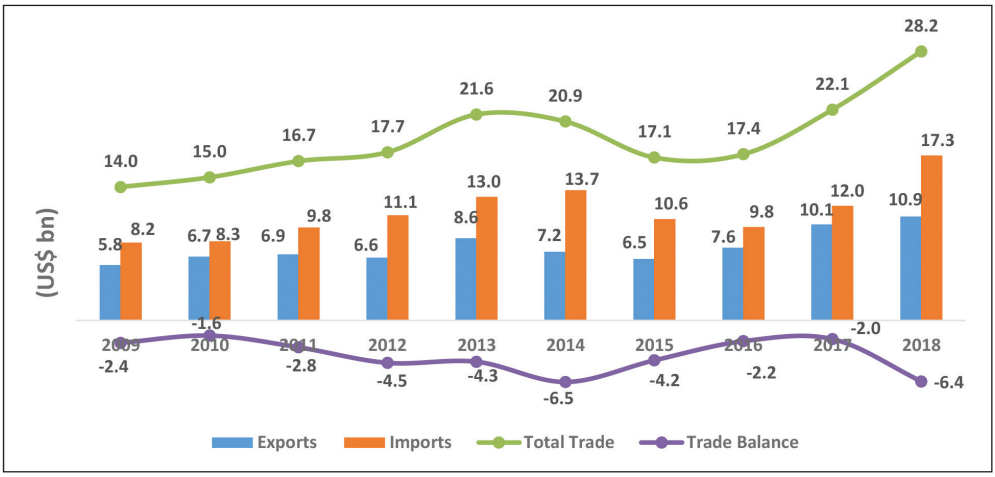
An increased openness to trade has become an important pillar of the economic reform agenda for the country, along with a renewed commitment to join the WTO. Uzbekistan's total trade has steadily grown during the period 2009 to 2013, increasing from US$ 14 billion to US$ 21.6 billion. During 2014-15, Uzbekistan's total trade has witnessed a moderation as result of a global commodity price shock, though started picking up in 2016 with total trade amounting to US$ 28.2 billion in 2018.

On account of increased demand for imported goods, the country witnessed widening trade deficit. Uzbekistan's exports increased by a CAGR of 7.2 percent to US$ 10.9 billion in 2018 from US$ 5.8 billion in 2009. Imports recorded a sharp rise at a CAGR of 8.7 percent during 2009-2018 to reach US$ 17.3 billion from US$ 8.2 billion **(Chart 3.6)**. Local enterprises are utilizing the new opportunities created by recent currency exchange and trade liberalization reforms to cover their unsatisfied import needs.

In order to enhance exports, an 'Export Activities Development Concept for 2018-2021' was introduced by the Government of Uzbekistan. Uzbekistan has liberalised the export of fruits and vegetables by permitting the competition among exporters and removing the minimum export prices. Subsequently, Uzbekistan has become a major producer of horticultural products in the region and became a major exporter in the international fruit and vegetable market.

Accordingly, edible vegetables, roots and tubers accounted for almost one third of total exports of the country in 2018, followed by mineral fuels and oils, cotton, copper and copper articles, edible fruits and nuts and plastics and articles **(Table 3.7)**. Uzbekistan is among the top ten biggest producers of cotton globally and is aiming to become a major player in the garment industry, to be able to compete with Bangladesh, China and Vietnam. The country is the third largest exporter of apricots in the world.

Chart 3.6: International Trade of Uzbekistan



Source: ITC Trade Map

Table 3.7: Major Exported Commodities of Uzbekistan

HS Code	Product label	2017		2018	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share
	All products	**10079.5**	**100.0**	**10919.0**	**100.0**
07	Edible vegetables, roots and tubers	3477.7	34.5	3217.2	29.5
27	Mineral fuels, oils and products of distillation	1607.6	15.9	2666.7	24.4
52	Cotton	1176.1	11.7	1029.9	9.4
74	Copper and articles	535.6	5.3	622.6	5.7
08	Edible fruit and nuts	417.2	4.1	543.9	5.0
39	Plastics and articles	445.0	4.4	454.8	4.2
72	Iron and steel	137.4	1.4	294.2	2.7
61	Articles of apparel and clothing accessories, knitted or crocheted	251.4	2.5	269.8	2.5
79	Zinc and articles	205.6	2.0	188.7	1.7
31	Fertilisers	178.9	1.8	143.8	1.3

Note: Commodity wise export structure during 2009 to 2016 is not available

Source: ITC Trade Map

Uzbekistan's imports are primarily finished products, especially machines and transport equipment; followed by iron and steel; electrical machinery and equipment; petroleum products and pharmaceutical products, which together accounted for 60 percent of total imports to the country in 2018 **(Table 3.8)**. While Uzbekistan exported natural gas, refined copper in the form of cathodes and sections of cathodes, polyethylene in primary forms, unwrought zinc- not alloyed, and bars and rods of iron or non-alloy steel; it imported more of medium oils and preparations, petroleum or bituminous minerals and flat products of iron or non-alloy steel.

China, Russia, and Kazakhstan are among the leading export markets for Uzbekistan, together accounting for a share of 46 percent of Uzbekistan's total exports in 2018. Other leading export markets include Turkey, Afghanistan and Kyrgyzstan **(Chart 3.7)**.

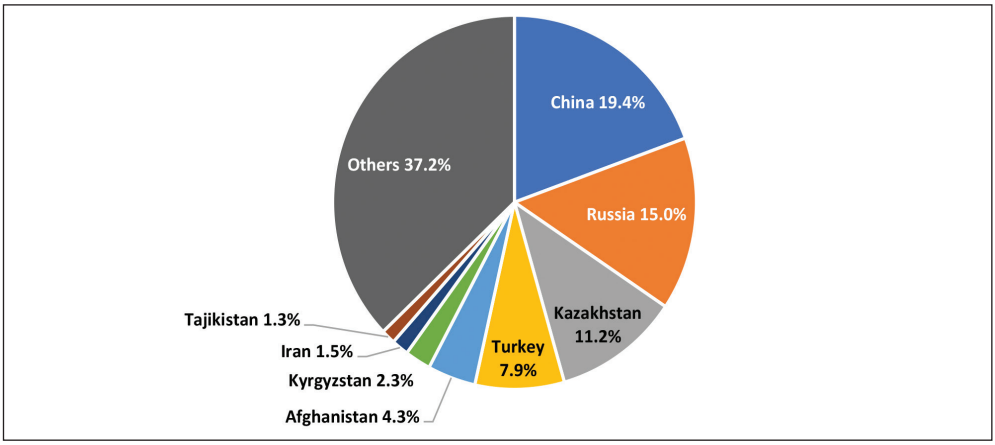
Table 3.8: Major Imported Commodities of Uzbekistan

HS Code	Product label	2017		2018	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share
	All products	**12034.9**	**100.0**	**17314.0**	**100.0**
84	Machinery and mechanical appliances	2681.1	22.3	4478.1	25.9
87	Vehicles other than railway or tramway	1145.2	9.5	2032.8	11.7
72	Iron and steel	878.0	7.3	1287.5	7.4
85	Electrical machinery and equipment	579.5	4.8	895.2	5.2
27	Mineral fuels, oils and products of distillation	742.1	6.2	879.5	5.1
30	Pharmaceutical products	811.1	6.7	852.1	4.9
44	Wood and articles of wood	466.8	3.9	621.1	3.6
73	Articles of iron or steel	431.6	3.6	601.5	3.5
39	Plastics and articles	449.8	3.7	573.9	3.3
17	Sugars and sugar confectionery	337.9	2.8	347.4	2.0

Note: Commodity wise import structure during 2009 to 2016 is not available

Source: ITC Trade Map

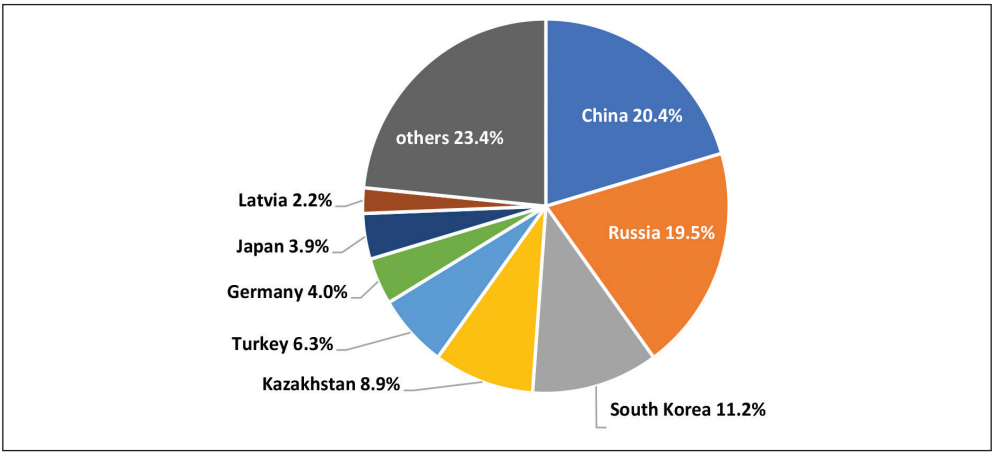
Chart 3.7: Major Export Destinations of Uzbekistan in 2018



Source: ITC Trade Map

As regards imports, China is the major supplier of the imports of Uzbekistan, with imports amounting to US$ 3.5 billion in 2018. China, Russia, and South Korea, together accounted for over half of Uzbekistan's total imports during 2018 **(Chart 3.8)**.

Chart 3.8: Major Import Sources of Uzbekistan in 2018



Source: ITC Trade Map

Trade Regulations and Barriers in Uzbekistan

Import Tariffs

Presidential Resolution PP-3818 issued on June 29, 2018, set new import tariffs in Uzbekistan. The resolution includes tariffs for import duties and import excise taxes. Customs duties for imported goods range from zero to more than 100 percent, but the average rate is approximately 20 percent. The cost of imports also include 20 percent VAT and customs clearance fee, which is 0.2 percent of declared customs value but not less than US$ 25 and not exceeding US$ 3,000. Goods imported by investors for their own needs, for implementation of projects in Uzbekistan, goods imported for further export or under a temporary importation regime are indefinitely exempted from customs duties. Some companies and investors may enjoy duty free importation preferences as decided by the Government.

Uzbekistan has the highest average import tariff rate out of eight Caucasus and Central Asian countries. The tariff rate on imported live animals, milk and cream, wheat and computer hardware is 5 percent; 10-30 percent on clothing, furniture, metals and foodstuffs; and 50 percent and above on luxury goods, vehicles and cigarettes. All imports must pass stringent labelling requirements which must be in the Uzbek language.

The Uzbekistani Government allows duty-free import of machinery and equipment for certain sectors to develop local industries. For example, there are no import duties for textile equipment and machinery and for spare parts. Excise tax, charged as a percentage of the declared customs value, must be paid on certain products, such as cigarettes, vodka, ice-cream, oil and gas condensate, fuels, cars and carpets.

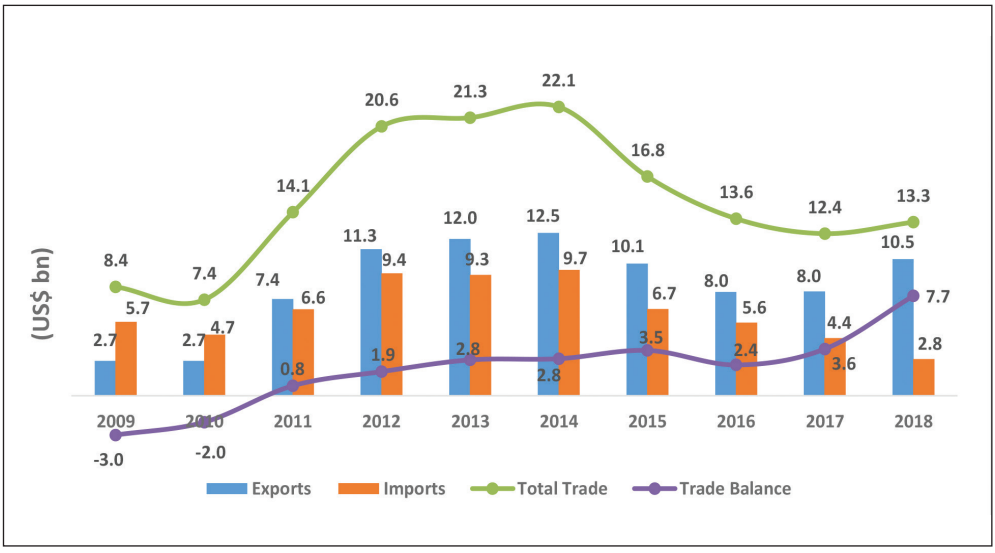
Source: Uzbekistan Country Commercial Guide 2019, US Commercial Service and HKTDC Research

TURKMENISTAN

Turkmenistan accounted for 9.1 percent of the total trade of CARs in 2018. Turkmenistan's trade is heavily dependent on the nation's natural resources of oil and natural gas. The country is also a major producer of cotton and a net exporter of electricity. Total trade has grown at a CAGR of 5.3 percent during 2009 to 2018. Except during 2009 - 2010, when exports of Turkmenistan's oil witnessed a sharp moderation, Turkmenistan has witnessed a trade surplus. Trade surplus increased from US$ 0.8 billion in 2011 to US$ 7.7 billion in 2018. While, exports recorded a CAGR of 16.4 percent during the period 2009-2018, imports moderated at around 7.5 percent **(Chart 3.9)**.

Being a heavily oil and gas dependent economy, exports of Turkmenistan primarily comprise mineral fuels and oil, which accounted for 91 percent of its total exports in 2018. Cotton, fertilisers, salt, sulphur and cement and plastics and articles are among the other major export items of Turkmenistan **(Table 3.9)**. In an attempt to diversify gas exports, Turkmenistan is embarking on the construction of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) Pipeline and is considering the Trans-Caspian Gas Pipeline.

Chart 3.9: International Trade of Turkmenistan



Source: ITC Trade Map

Table 3.9: Major Exported Commodities of Turkmenistan

HS Code	Product label	2009		2018	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share
	All products	**2677.2**	**100.0**	**10489.7**	**100.0**
27	Mineral fuels, oils and products of distillation	2001.3	74.8	9575.8	91.3
52	Cotton	214.8	8.0	309.9	3.0
31	Fertilisers	3.1	0.1	121.6	1.2
25	Salt, sulphur, earths, stone and cement	1.7	0.1	92.0	0.9
39	Plastics and articles	75.6	2.8	75.1	0.7
90	Optical, photographic, cinematographic, medical or surgical instruments	2.8	0.1	61.4	0.6
13	Lac, gums, resins and other vegetable saps and extracts	18.5	0.7	36.9	0.4
89	Ships, boats and floating structures	3.7	0.1	33.8	0.3
87	Vehicles other than railway or tramway	0.7	0.0	22.7	0.2
63	Other made-up textile articles	21.2	0.8	22.1	0.2

Source: ITC Trade Map

Table 3.10: Major Imported Commodities of Turkmenistan

HS Code	Product label	2009		2018	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share
	All products	**5679.8**	**100.0**	**2822.7**	**100.0**
84	Machinery and mechanical appliances	1269.5	22.4	564.2	20.0
73	Articles of iron or steel	1171.9	20.6	267.3	9.5
85	Electrical machinery and equipment	519.7	9.1	189.1	6.7
87	Vehicles other than railway or tramway	519.2	9.1	136.3	4.8
39	Plastics and articles	133.7	2.4	133.9	4.7
89	Ships, boats and floating structures	45.0	0.8	105.1	3.7
72	Iron and steel	139.0	2.4	88.5	3.1
30	Pharmaceutical products	50.0	0.9	87.8	3.1
38	Miscellaneous chemical products	84.1	1.5	83.2	2.9
90	Optical, photographic, cinematographic, medical or surgical instruments	131.0	2.3	64.6	2.3

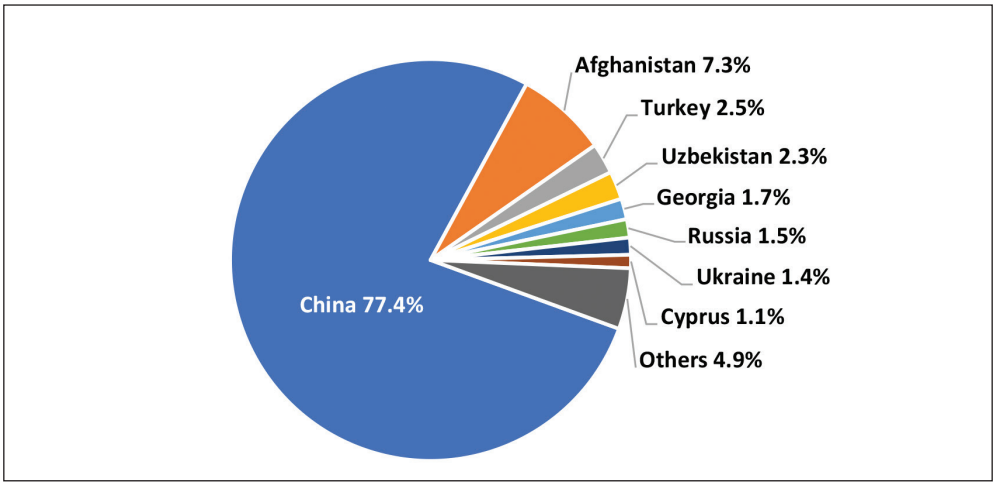
Source: ITC Trade Map

Machinery; articles of iron or steel; electrical and electronic equipment and transport vehicles constitute major import items of Turkmenistan, accounting for 41 percent of its total imports in 2018. Other major import items include plastics and articles; ships, boats and floating structures; iron and steel and pharmaceutical products **(Table 3.10)**. Within plastics and articles, while Turkmenistan exported polypropylene in primary forms, it imported polyethylene with a specific gravity of >= 0.94 in primary forms and sacks and bags, including cones of polymers of ethylene.

Largely on account of exports of oil and gas, China has emerged as the largest export market for Turkmenistan since 2010. From marginal exports of US$ 38.5 million in 2009, Turkmenistan's exports to China increased substantially to US$ 1 billion in 2010 and further to US$ 8.1 billion in 2018 **(Chart 3.10)**. Prior to 2010, Ukraine was one of the major export destinations of Turkmenistan, especially for natural gas. However, after the section of the Central Asia-Center Gas Pipeline exploded in 2009, price disputes and Turkmenistan's agreement with China, have resulted in Turkmenistan stop supplying natural gas to Ukraine. In spite of diversification attempts, Turkmenistan's exports are still highly concentrated on a single market, China, and a single product, natural gas.

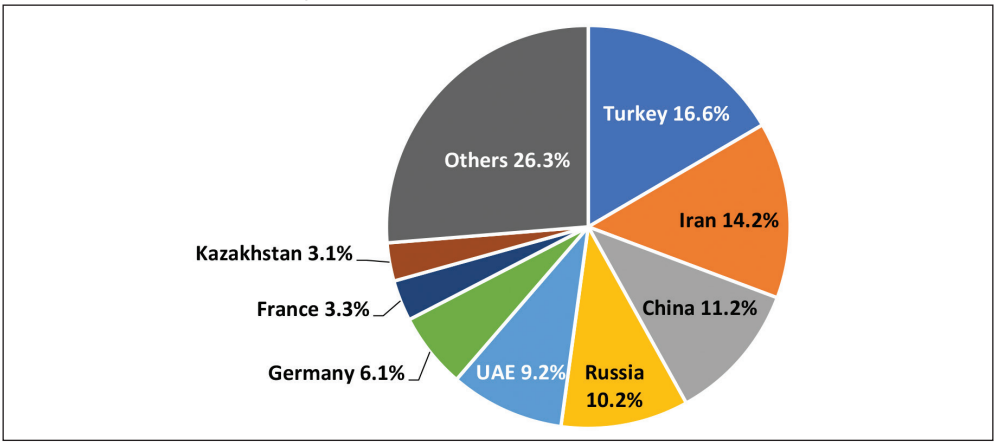
Turkmenistan's import sources are fairly diversified, with leading import suppliers being Turkey, Iran, China, Russia and UAE in 2018 **(Chart 3.11)**. A notable change in Turkmenistan's import pattern is the sharp decline in imports from Russia over the years.

Chart 3.10: Major Export Destinations of Turkmenistan in 2018



Source: ITC Trade Map

Chart 3.11: Major Import Sources of Turkmenistan in 2018



Source: ITC Trade Map

Trade Regulations and Barriers in Turkmenistan

Import Tariffs

Turkmenistan does not apply tariffs per se on imported goods. However, in practice, the Government of Turkmenistan levies customs duties and higher excise taxes on imports, which are significant barriers to trade. Under Presidential Resolution # 9925 dated July 27, 2008, there is a customs duty on the import of 49 types of merchandise, with average rates ranging from 5 percent to 100 percent. In 2015, Turkmenistan launched a policy of import substitution and there are reports of rising customs duties. Turkmenistan has introduced new customs fees for a list of six types of imported goods, including vegetables, fruits, juices and other unannounced products. A presidential resolution may waive all or some customs duties and taxes, including the excise tax. Turkmenistan applies import excise taxes on beer, wine, spirits, tobacco products, jewelry and automobiles.

Prohibited and Restricted Imports

Import or export of the following goods requires presidential approval: (i) arms and military equipment and special items used for military production and military services; (ii) gunpowder, explosive substances, explosive and pyrotechnic devices; (iii) radioactive materials, technology, equipment and installations, special non-nuclear materials and radioactive wastes; (iv) precious metals and alloys, ores, scrap material and industrial waste (for export only); (v) precious stones and items including industrial waste, powder, recuperation of precious stones, pearls and amber; (vi) narcotics and psychotropic substances; (vii) special raw materials, equipment, technology and scientific information used for arms and military equipment production; (viii) dual-use materials, equipment and technology, that may be used for production of nuclear, chemical and other weapons of mass destruction; (ix) export of scientific research, technology and inventions and (x) poisons.

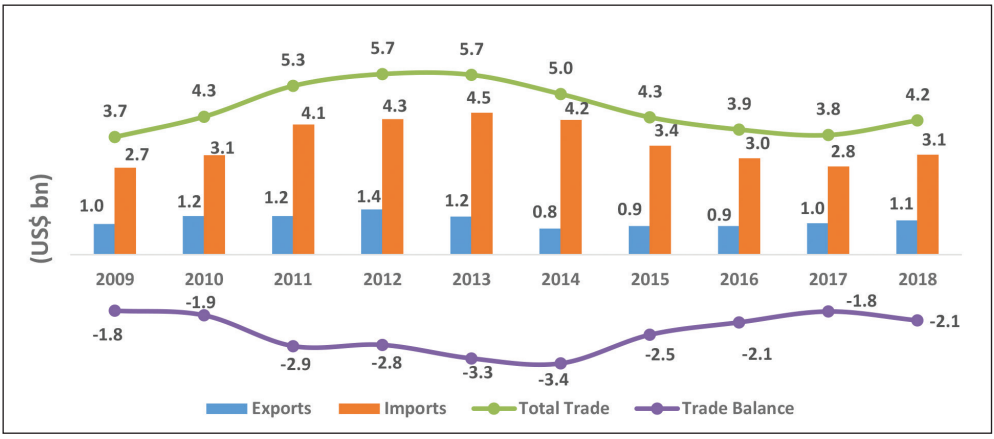
Source: US Commercial Service, Doing Business in Turkmenistan, 2018 Country Commercial Guide

TAJIKISTAN

Tajikistan has a relatively open economy with low tariff rates. The country has taken steps to improve its global and regional integration through WTO accession in 2013. Tajikistan has been experiencing widening trade deficits over the last decade, mainly on account of imports of energy resources and high technology manufacturing products, largely from China, Russia and Kazakhstan. While imports of Tajikistan have increased from US$ 2.7 billion in 2009 to reach maximum of US$ 4.5 billion in 2015, later moderating to US$ 3.1 billion in 2018, exports on the other hand have remained fairly constant over the period amounting to around US$ 1 billion. Total trade of Tajikistan, which has been mainly driven by imports, has thus increased from US$ 3.7 billion in 2009 to US$ 4.2 billion in 2018 **(Chart 3.12).**

The country has a narrow export base, with merchandise exports concentrated on a few primary products. Tajikistan's major traditional exports include ores, slag and ash; cotton and aluminium and aluminium articles, together accounting for over 75 percent of Tajikistan's total exports in 2018 **(Table 3.11)**. Excessive reliance on cotton and aluminium exports, however, reflects the lack of export diversification of the country's export basket, thereby rendering the country's export earnings vulnerable to fluctuations in global commodity prices.

Chart 3.12: International Trade of Tajikistan



Source: ITC Trade Map

Table 3.11: Major Exported Commodities of Tajikistan

HS Code	Product label	2014		2018	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share
	All products	**813.5**	**100.0**	**1073.9**	**100.0**
26	Ores, slag and ash	175.9	21.6	400.1	37.3
52	Cotton	142.0	17.5	204.9	19.1
76	Aluminium and articles	236.2	29.0	202.2	18.8
27	Mineral fuels, oils and products of distillation	44.9	5.5	79.1	7.4
25	Salt, sulphur, earths, stone and cement	3.1	0.4	65.7	6.1
81	Other base metals, cermets and articles	4.7	0.6	26.7	2.5
62	Articles of apparel and clothing accessories, not knitted or crocheted	19.1	2.4	19.5	1.8
87	Vehicles other than railway or tramway rolling stock	23.7	2.9	16.0	1.5
08	Edible fruit and nuts	27.3	3.4	11.4	1.1
84	Machinery and mechanical appliances	8.2	1.0	9.5	0.9

Note: Commodity wise export structure during 2009 to 2013 is not available
Source: ITC Trade Map

Table 3.12: Major Imported Commodities of Tajikistan

HS Code	Product label	2014		2018	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share
	All products	**4235.7**	**100.0**	**3144.3**	**100.0**
27	Mineral fuels, oils and products of distillation	768.9	18.2	563.1	17.9
87	Vehicles other than railway or tramway	449.6	10.6	296.2	9.4
72	Iron and steel	211.3	5.0	273.4	8.7
84	Machinery and mechanical appliances	252.5	6.0	266.6	8.5
10	Cereals	256.5	6.1	182.3	5.8
85	Electrical machinery and equipment	174.8	4.1	161.0	5.1
44	Wood and articles of wood	290.8	6.9	123.8	3.9
28	Inorganic chemicals	151.2	3.6	111.9	3.6
73	Articles of iron or steel	94.5	2.2	101.1	3.2
39	Plastics and articles	66.8	1.6	84.9	2.7

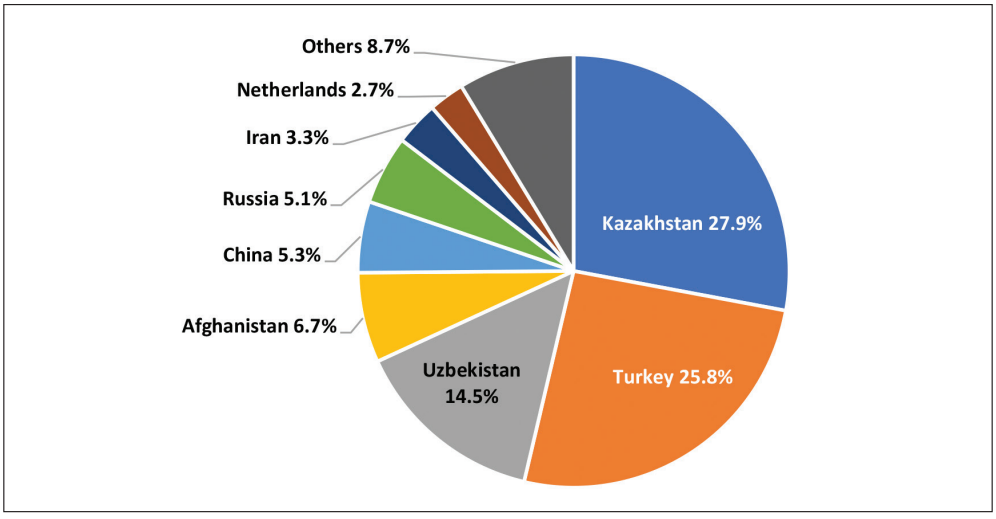
Note: Commodity wise export structure during 2009 to 2013 is not available
Source: ITC Trade Map

Mineral fuels, oils and products of distillation; transport vehicles; iron and steel and machinery comprise the main items of imports of Tajikistan, together accounting for around 45 percent of the country's total imports during 2018 **(Table 3.12)**. While Tajikistan exported electrical energy, it imported more of medium oils and preparations of petroleum or bituminous minerals under mineral fuels, oils, and distillation products.

Kazakhstan, Turkey, Uzbekistan and Afghanistan are the major export markets of the country **(Chart 3.13)**. While Tajikistan exports ores, slag and ash to other CARs, cotton is mostly exported to Turkey, Russia and China and aluminium to Turkey and Taiwan.

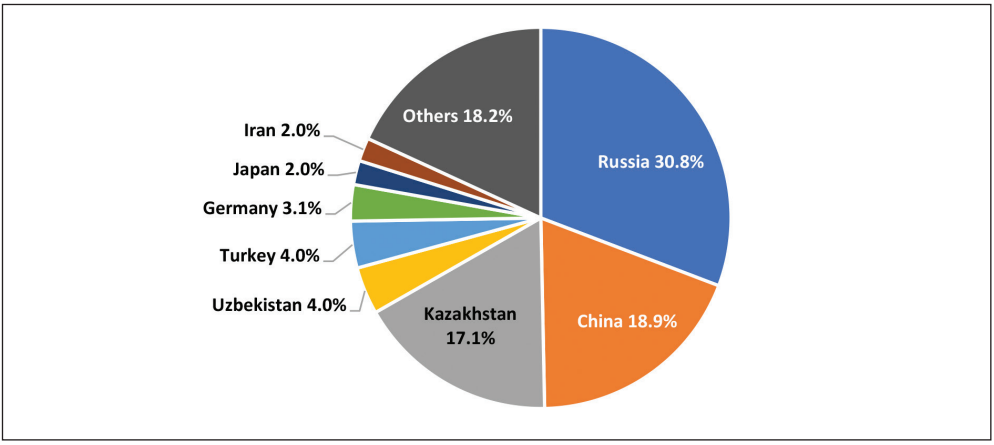
Russia continued to remain as the major source of Tajikistan's imports, with a share of around 31 percent of Tajikistan's total imports in 2018. Other leading import sources for Tajikistan include China, Kazakhstan, Uzbekistan and Turkey **(Chart 3.14)**.

Chart 3.13: Major Export Destinations of Tajikistan in 2018



Source: ITC Trade Map

Chart 3.14: Major Import Sources of Tajikistan in 2018



Source: ITC Trade Map

Trade Regulations and Barriers in Tajikistan

Import and Trade Tariffs

Tajikistan's official trade regime is relatively liberal; tariff rates range between zero and fifteen percent, with the overall trade-weighted import tariff averaging out to around seven percent. The least developed countries are exempted from import tariffs. Tajik Customs Code in general complies with WTO requirements on evaluation and rates, and Agreement on Rules of Goods Transit. The main difference is in the evaluation methods of goods for customs purposes. Trade barriers are principally limited to quotas on the import of alcohol and tobacco products. Non-tariff barriers include excessive requirements for certification of goods for health, safety, and security reasons.

Prohibited and Restricted Imports

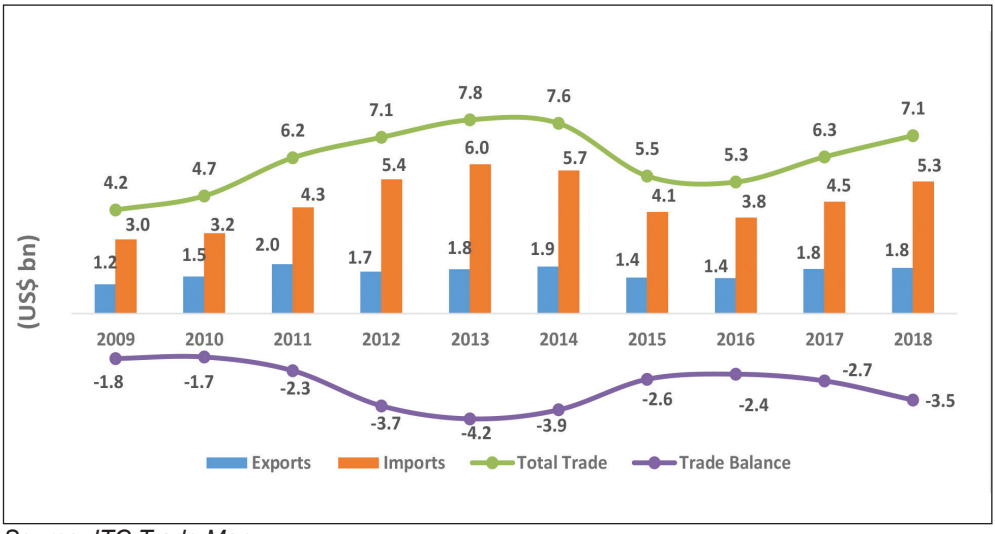
According to the Customs Code, imports of some commodities may be prohibited for reasons of national security; protection of public order, morality, or health; protection of animals and plants or the environment; protection of art, historical and archaeological values of Tajikistan and foreign countries; protection of property, including intellectual property; and protection of interests of national consumers and other lawful interests of Tajikistan. Imports of alcohol and tobacco products are subject to license and regulations.

Source: US Commercial Service, Doing Business in Tajikistan, 2018 Country Commercial Guide

KYRGYZSTAN

Kyrgyzstan led the other CARs in their efforts to liberalise trade policies, and in 1998 became the first CIS country to join the WTO. Total trade of Kyrgyzstan, which increased from US$ 4.2 billion in 2009 to US$ 7.1 billion in 2018, is primarily driven by the country's imports. While exports have been fairly stable over the period 2009 to 2018, increasing from US$ 1.2 billion in 2009 to US$ 1.8 billion in 2018, imports on the other hand, have shown a rapid increase from US$ 3 billion in 2009 to US$ 5.3 billion in 2018. Accordingly, trade deficit widened to US$ 3.5 billion in 2018 from US$ 1.8 billion in 2009 **(Chart 3.15)**. In 2016, the EU granted GSP+ status to Kyrgyzstan, which meant reduced or zero tariffs for Kyrgyz exports to European markets, for around 6000 items of Kyrgyz origin by removing customs duties on over 66 percent of tariff lines. Kyrgyzstan also enjoys duty-free access to its two important markets, Kazakhstan and Russia, under the EAEU agreement.

Chart 3.15: International Trade of Kyrgyzstan



Source: ITC Trade Map

Kyrgyzstan depends heavily on gold exports - mainly the output from the Kumtor gold mine, with majority being exported to UK, Russia and Turkey. Till 2017, most of the gold exports went to Switzerland. In 2018, the major exports of Kyrgyzstan included pearls, precious stones, and metals, accounting for 37.2 percent of the total export earnings; followed by exports of articles of apparel, accessories, knit or crochet; mineral fuels and oils and ores, slag and ash **(Table 3.13)**. Given its considerable hydroelectricity generating potential, Kyrgyzstan is also a major exporter of electricity, especially to neighbouring countries of Kazakhstan and Uzbekistan. The country is also a major re-exporter in the region, especially of Chinese goods, as well as goods from India and Turkey. Re-exports mainly include consumer goods, primarily garments and footwear; fabrics; plastic goods and consumer electronics.

Major imports of Kyrgyzstan include petroleum products; machinery; footwear and gaiters; electrical machinery and equipment and articles of apparel **(Table 3.14)**. A substantial portion of these imports are for the purpose of re-exporting to other countries in the region. The re-export opportunities have been moderated to some extent with the country joining the Eurasian Economic Union.

Table 3.13: Major Exported Commodities of Kyrgyzstan

HS Code	Product label	2009		2018	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share
	All products	**1178.3**	**100.0**	**1835.2**	**100.0**
71	Natural or cultured pearls, precious or semi-precious stones and metals	533.7	45.3	682.3	37.2
61	Articles of apparel and clothing accessories, knitted or crocheted	8.2	0.7	140.5	7.7
27	Mineral fuels, oils and products of distillation	224.5	19.0	139.3	7.6
26	Ores, slag and ash	2.5	0.2	124.6	6.8
74	Copper and articles	1.1	0.1	111.3	6.1
07	Edible vegetables, roots and tubers	45.6	3.9	63.2	3.4
87	Vehicles other than railway or tramway	29.5	2.5	48.6	2.6
52	Cotton	22.9	1.9	37.6	2.0
84	Machinery and mechanical appliances	25.0	2.1	37.5	2.0
72	Iron and steel	4.1	0.4	35.6	1.9

Source: ITC Trade Map

Table 3.14: Major Imported Commodities of Kyrgyzstan

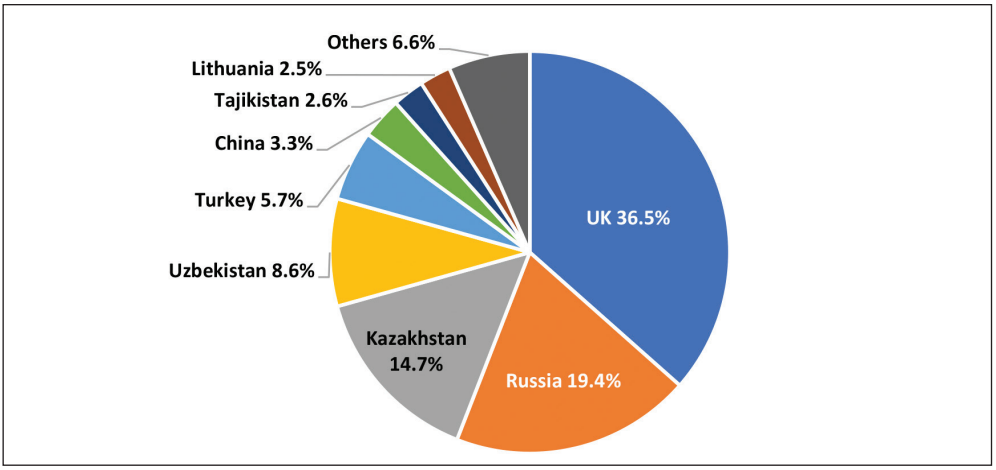
HS Code	Product label	2009		2018	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share
	All products	**2973.9**	**100.0**	**5291.9**	**100.0**
27	Mineral fuels, oils and products of distillation	803.4	27.0	901.4	17.0
84	Machinery and mechanical appliances	221.0	7.4	475.0	9.0
64	Footwear, gaiters and parts	54.0	1.8	372.6	7.0
85	Electrical machinery and equipment	109.0	3.7	307.2	5.8
61	Articles of apparel and clothing accessories, knitted or crocheted	49.0	1.6	236.4	4.5
72	Iron and steel	78.1	2.6	190.7	3.6
55	Man-made staple fibres	39.5	1.3	178.2	3.4
39	Plastics and articles	56.2	1.9	174.9	3.3
87	Vehicles other than railway or tramway	252.3	8.5	170.8	3.2
30	Pharmaceutical products	87.7	2.9	163.2	3.1

Source: ITC Trade Map

While Kyrgyzstan exported medium oils and preparations of petroleum or bituminous minerals, crude petroleum oil and electrical energy under mineral fuels, oils and products of distillation and women's or girls' blouses, shirts and shirt-blouses of cotton, knitted or crocheted and men's or boys' shirts of textile materials, knitted or crocheted under articles of apparel and clothing; it imported medium oils and preparations, of petroleum or bituminous minerals (not crude); light oils and preparations, of petroleum or bituminous minerals; men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton; and special garments for professional, sporting or other purposes.

Switzerland remained the largest export market for Kyrgyzstan since 2008 upto 2017, because of gold exports. In 2018, Kyrgyzstan started exporting gold to UK and stopped exporting to Switzerland. Exports to UK currently accounts for 37 percent of its total exports. Russia, Kazakhstan and Uzbekistan are among the other leading export markets for Kyrgyzstan **(Chart 3.16)**.

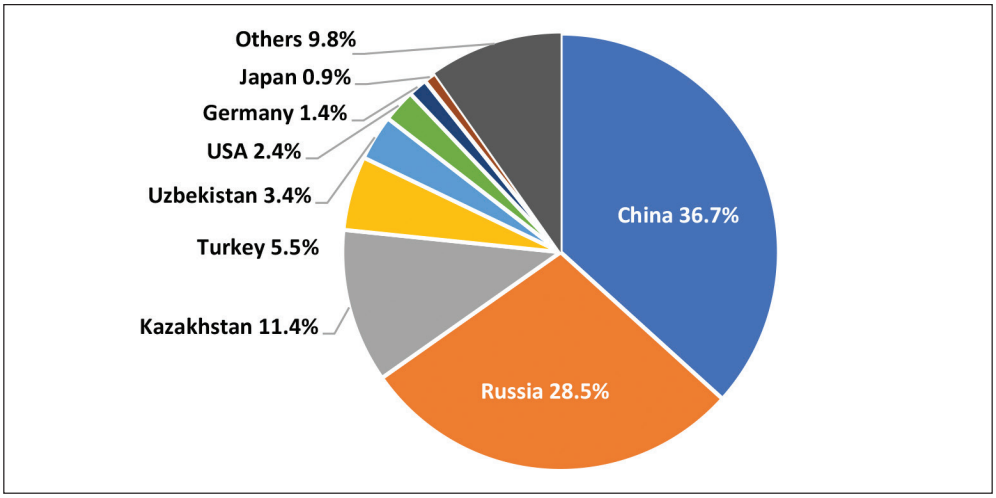
Chart 3.16: Major Export Destinations of Kyrgyzstan in 2018



Source: ITC Trade Map

China replaced Russia as the major import source, with Chinese imports accounting for 37 percent of total imports of the country. Other major import sources include Russia, Kazakhstan, Turkey and Uzbekistan **(Chart 3.17)**.

Chart 3.17: Major Import Sources of Kyrgyzstan in 2018



Source: ITC Trade Map

Trade Regulations and Barriers in Kyrgyzstan

On May 8, 2015, Kyrgyzstan adopted the unified customs tariffs and non-tariff regulations of the Russia-led EAEU. The EAEU accession also introduced new regulatory hurdles in the country and led to an increase in non-tariff measures.

4. FDI AND INVESTMENT CLIMATE IN CENTRAL ASIAN REPUBLICS

While CARs have limited presence as foreign investors globally, the region is a very attractive destination for investment on account of immence opportunites for cooperation. The region is strategically located at the crossroads of Europe and Asia, and is surrounded by some of the world's fastest-growing economies such as Russia, India and China, that are increasingly investing in the region. The improvements in the ease of doing business rankings of CARs and increased efforts to improve transparency, policy frameworks and business environment are attracting investors to CARs. The region is undergoing many positive changes, including opening up of sectors to potential investors. The Strategic Plan for Development of Kazakhstan through 2025 and the Action Strategy for the Further Development of Uzbekistan in 2017-2021 are among such major reforms. The opening of the Astana International Financial Centre (AIFC) in July 2018 has also contributed to rising investor's attractiveness in the region.

Trends in Foreign Direct Investment Flows into Central Asian Republics

Trends in investment flows during the last decade have shown an increase in both inflows and outflows. Total FDI inflows to CARs have been increasing steadily from the time the Soviet Union collapsed and the countries attained their independence. Post-independence, the countries formed policies conducive to their development and improved their investment climate. Investment by Transnational Corporations (TNCs) was motivated by a desire to gain access to growing local consumer markets and to benefit from business opportunities arising from the liberalization of selected industries in the region. Foreign direct investment (FDI) inflows into CARs, which stood at a marginal US$ 118 million in 1992, has increased sharply to US$ 1.5 billion in 2000 and further to US$ 19.9 billion in 2011. Thereafter, FDI inflows witnessed a moderation to reach US$ 6.6 billion in 2018 **(Table 4.1)**. According to the Boston Consulting Group (BCG), CARs together have an estimated FDI potential of US$ 170 billion, including US$ 40 billion-US$ 70 billion in non-extractive industries, over the next 10 years[14].

[14]Investing in Central Asia - One Region, Many Opportunities, Boston Consulting Group, December 2018

Table 4.1: Trends in FDI Inflows to Central Asian Republics

(US$ million)

	1992	2000	2010	2011	2012	2013	2014	2015	2016	2017	2018
Kazakhstan	100.0	1282.5	11550.7	13973.1	13337.0	10321.0	8489.4	4056.6	8511.5	4669.3	3816.6
Kyrgyzstan	-	-2.4	437.6	693.5	292.7	626.1	248.0	1141.9	615.9	-107.2	47.0
Tajikistan	9.0	23.5	155.3	209.2	254.8	214.6	431.7	558.6	343.7	269.9	316.7
Turkmenistan	-	131.0	3632.3	3391.1	3129.6	2861.4	3830.1	3043.0	2243.2	2085.9	1985.1
Uzbekistan	9.0	74.7	1636.4	1635.1	563.0	634.7	757.4	66.5	134.1	97.7	412.4
Central Asia	**118.0**	**1509.4**	**17412.3**	**19902.0**	**17577.1**	**14657.9**	**13756.5**	**8866.6**	**11848.3**	**7015.6**	**6577.9**
% share in CIS	*9.0*	*32.5*	*33.6*	*31.5*	*33.8*	*19.9*	*27.6*	*33.0*	*21.5*	*18.7*	*28.3*
% share in Asia	*0.3*	*0.9*	*4.0*	*4.5*	*4.0*	*3.3*	*2.8*	*1.6*	*2.3*	*1.3*	*1.2*
% share in Global	*0.1*	*0.1*	*1.3*	*1.3*	*1.2*	*1.0*	*1.0*	*0.4*	*0.6*	*0.5*	*0.5*

Source: UNCTAD

While increased oil production and positive growth dynamics of services sector supported increased investment in Kazakhstan, Uzbekistan was supported by all round growth in all major sectors. While investments in Kyrgyzstan were driven by increased remittances, gold exports and "Bazaar trading" based on imports from other Asian countries and re-exports to other CARs, investments in Turkmenistan were driven by increased gas prices and gas exports. Tajikistan's investments are driven by increased remittances and growth of mining sector.

Kazakhstan is the largest FDI recipient as well as source for FDI outflows in the region. During 2018, Kazakhstan accounted for 58 percent of total FDI inflows into the region. FDI inflows into Kazakhstan, which has traditionally been the largest recipient of FDI, has witnessed a rapid increase from US$ 100 million in 1992 to US$ 14 billion in 2011, moderating thereafter to reach US$ 3.8 billion in 2018. Large divestments such as the departure of Telia (Sweden) and Turkcell (Turkey) from mobile telephony services and few large oil companies in 2018 were the major reasons behind moderation in investment. During 2018, while Turkmenistan accounted for 30.2 percent of total inflows into CARs, Uzbekistan accounted for 6.3 percent. While FDI inflows into Kazakhstan and Turkmenistan moderated in 2018 as compared to 2017, FDI inflows into Kyrgyzstan, Tajikistan and Uzbekistan witnessed a rise.

Table 4.2: Trends in FDI Outflows from Central Asian Republics

(US$ million)

	2000	2010	2011	2012	2013	2014	2015	2016	2017	2018
Kazakhstan	4.4	7885.5	5390.4	1481.1	2286.6	3814.8	795.2	-5234.9	913.2	-1102.6
Kyrgyzstan	4.5	-	0.1	-0.5	-	-	-1.2	-	-29.0	1.0
Tajikistan	-	-	-	-	-	-	-	35.1	159.0	56.8
Central Asia	**8.9**	**7885.5**	**5390.5**	**1480.6**	**2286.6**	**3814.9**	**793.9**	**-5199.8**	**1043.2**	**-1044.8**
% share in CIS	*0.3*	*16.0*	*9.8*	*4.7*	*3.1*	*5.3*	*2.5*	*-21.2*	*2.8*	*-2.8*
% share in Asia	*-*	*2.2*	*1.2*	*0.3*	*0.5*	*0.7*	*0.2*	*-0.9*	*0.2*	*-0.2*
% share in Global	*-*	*0.6*	*0.3*	*0.1*	*0.2*	*0.3*	*0.0*	*-0.3*	*0.1*	*-0.1*

Note: '-'denotes nil/negligible/not available; FDI flows are presented on a net basis, i.e. as credits less debits. Thus, in cases of reverse investment or disinvestment, FDI may be negative.
Source: UNCTAD

Central Asian Republics have very limited global presence as investors. During the last decade, FDI outflows from CARs peaked in 2010 at US$ 7.9 billion from a marginal US$ 8.9 million in 2000. After moderating to US$ 0.8 billion in 2015, FDI outflows from the region declined to a negative US$ 5.2 billion in 2016, largely due to negative intra-company loans of Kazakhstan. After recovering to US$ 1 billion in 2017, FDI outflows from the region fell into a negative territory in 2018, mainly due to negative FDI outflows from Kazakhstan **(Table 4.2)**. FDI outflows from CARs until 2015, has been driven almost entirely from Kazakhstan. No FDI outflows were recorded from Turkmenistan and Uzbekistan.

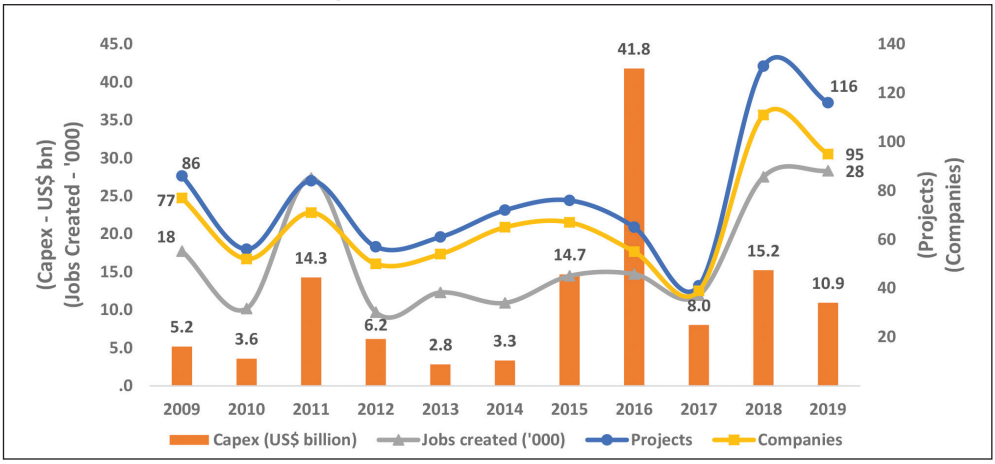
Investments in Central Asia and especially Kazakhstan, have over the years, largely been driven by large scale oil and natural gas projects. FDI inflows into the region have largely flown into sectors such as mining, metallurgy and extractive industries, manufacturing and food processing. Traditional investors in Central Asian Republics have been Russia, China, the US and UK.

While the region is endowed with abundant natural and human resources that could drive its economies to even higher levels of competitiveness, most countries in the region, faced the challenge of ensuring a robust business-friendly environment, and lack of strong legal and economic institutional support, to attract increased private investments into the region. However, most of CARs have, over the years, made concerted efforts to boost and attract foreign investments into diverse sectors of the economy and implemented policy initiatives in this regard.

FDI Inflows - Projects, Capex, Jobs Created

According to Financial Times' fDi Markets[15], during 2009-2019 (i.e January 2009 to December 2019) envisaged capital investments in the region stood at a cumulative amount of US$ 126.03 billion, which involve investments by 621 companies in 845 projects, creating around 185,307 jobs **(Chart 4.1)**.[16]

Chart 4.1: Envisaged FDI Inflows in Central Asian Republics



Source: fDi Markets (accessed on February 04, 2020)

Among CARs, Kazakhstan received maximum investment at US$ 80.5 billion during 2009-2019, accounting for 63.9 percent of total envisaged investments to the region, closely followed by Uzbekistan which accounted for 25 percent of total investments **(Table 4.3)**. Country wise summary of job creation, projects and companies invested in the region is presented in **Table 4.4**.

[15] fDi Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency.

[16] Data from fDi Markets may differ from that of UNCTAD, as fDi Markets tracks the capital investment at the date of announcement of the investment, while official data tracks FDI at the date the capital effectively crosses borders. Further, UNCTAD receives data from national authorities, whereas fDi Markets collects data from media sources, industry organisations and investment agencies as well as information from market research and publication companies.

Table 4.3: Destination wise Envisaged FDI Inflows among Central Asian Republics

(US$ million)

Country	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Kazakhstan	1,889.2	2,411.6	6,807.3	1,171.5	2,347.3	2,036.8	4,880.1	39,489.9	6,543.6	7,193.4	5,716.9	80,488
Uzbekistan	1,344.7	866.8	3,904.1	4,454.6	271.9	494.8	7,408.7	1,475.9	1,384.3	5,176.8	4,749.0	31,532
Turkmenistan	1,357.3	300.3	2,219.0	6.5	-	38.4	1,007.2	161.2	-	2,696.1	90.9	7,877
Tajikistan	539.3	2.4	1,061.0	491.0	152.3	691.9	324.5	541.6	-	29.2	241.8	4,075
Kyrgyzstan	44.5	-	276.9	57.4	58.6	70.0	1,050.9	132.5	94.1	135.2	143.5	2,064
Total	**5,175**	**3,581**	**14,268**	**6,181**	**2,830**	**3,332**	**14,671**	**41,801**	**8,022**	**15,231**	**10,942**	**1,26,035**

Note: '-' denotes nil/ negligible/not available

Source: fDi Markets (accessed on February 04, 2020)

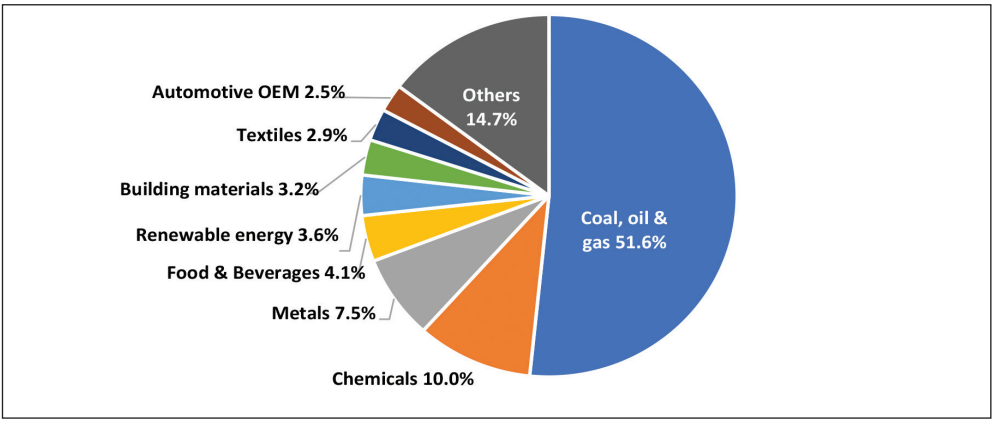
Table 4.4: Country wise Summary of Jobs, Projects and Companies Invested in Central Asian Republics, 2009-2019

Country	No. of Projects	Capex (US$ mn)	No. of Jobs Created	No. of Companies
Kazakhstan	480	80,487.6	110,664	380
Uzbekistan	241	31,531.5	52,692	184
Tajikistan	53	4,075.0	6,278	34
Turkmenistan	38	7,876.9	10,261	33
Kyrgyzstan	33	2,063.5	5,412	33
Total	**845**	**1,26,034.5**	**185,307**	**621**

Source: fDi Markets (accessed on February 04, 2020)

Coal, oil and natural gas sector received the maximum investment of US$ 65.1 billion during 2009-2019, followed by chemicals (US$ 12.6 billion), metals (US$ 9.4 billion), food and beverages (US$ 5.2 billion) and renewable energy (US$ 4.5 billion). Investments in food and beverages sector created maximum employment in the region, followed by textiles and automotive original equipment manufacturers (OEM). Maximum number of projects were in communications sector (83 projects), followed by financial services sector (70 projects), coal, oil and natural gas (61 projects), industrial equipment and business services (59 projects each). Maximum number of companies invested in business services (53), followed by industrial equipment (51), coal, oil and natural gas and textile sectors (50 companies each).

Chart 4.2: Major Sectors Attracting FDI in Central Asian Republics during 2009-2019



Source: fDi Markets (accessed on February 04, 2020)

As shown in **Table 4.5**, the US made the maximum investment in the region, accounting for 32.4 percent of total capex invested during 2009-2019. The US was followed by China (14.2 percent of total investment), Russia (12.6 percent) and South Korea (6.2 percent).

Table 4.5: Major Investors in Central Asian Republics, 2009-2019

Country	Capex (US$ mn)	No. of Projects	No. of Jobs Created	No. of Companies
USA	40,847.2	65	13,182	49
China	17,941.5	98	34,358	79
Russia	15,825.5	122	19,860	73
South Korea	7,858.5	37	17,921	28
UK	6,796.7	44	8,200	30
Turkey	4,986.5	41	13,266	34
Japan	4,729.4	21	2,035	16
Canada	3,033.8	13	1,531	7
Singapore	2,877.2	12	7,067	8
Germany	2,517.7	56	8,090	47
Luxembourg	2,198.2	9	1,174	7
UAE	1,832.1	18	5,559	13
France	1,538.4	39	5,711	30
India	*1,531.0*	*13*	*4,029*	*10*
Malaysia	1,428.4	10	1,557	8

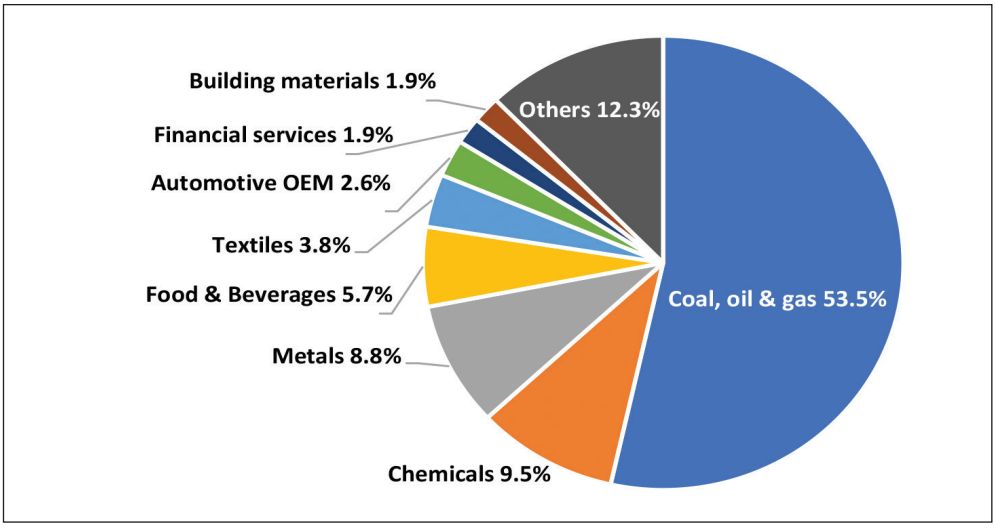
Source: fDi Markets (accessed on February 04, 2020)

KAZAKHSTAN

Kazakhstan is the largest recipient of envisaged FDI into the region and the third largest recipient of FDI among transition economies. Kazakhstan received a total envisaged investment of US$ 80.5 billion during 2009-2019, for 480 projects by 380 companies and creating around 110,664 jobs in the country. As part of its diversification plan, Kazakhstan to some extent, has succeeded in attracting investments to non-extractive sectors. Many improvements have been achieved under the Kazakhstan 2050 Strategy, which sets forth seven economic, social and political objectives, including comprehensive support for entrepreneurship. According to BCG, Kazakhstan has the potential to increase the volume of attracted FDI to US$ 100 billion, including up to US$ 40 billion in non-extractive industries.

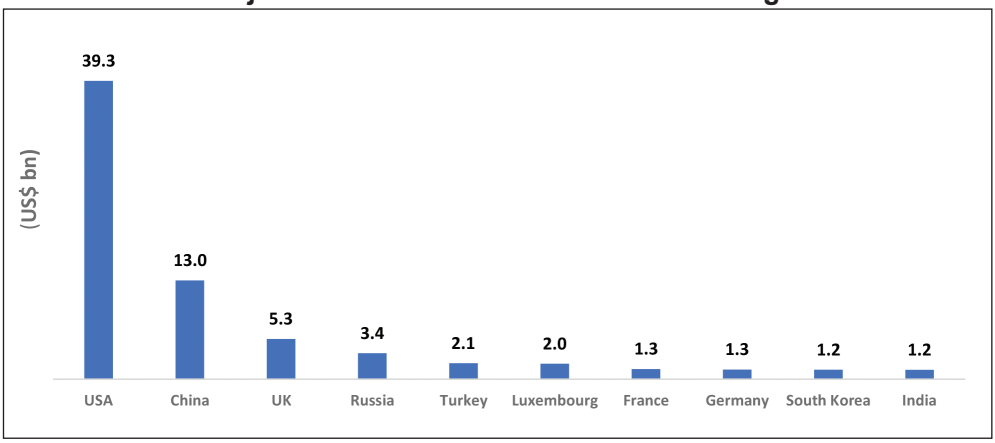
The major sectors attracting investment in Kazakhstan during 2009-2019 were coal, oil and gas sector which received total capital investment of US$ 43.1 billion, creating around 6,478 job opportunities executed by 25 companies. 25 projects were undertaken in the past decade in this sector. The next sector to receive the highest investment is chemicals sector, with capital investment worth US$ 7.7 billion, creating around 7,716 jobs over the decade. The other significant sectors attracting investment and providing job opportunities were metals, food and beverages, textiles and automotive OEM **(Chart 4.3)**.

Chart 4.3: Major Sectors Attracting FDI in Kazakhstan during 2009-2019



Source: fDi Markets (accessed on February 04, 2020)

Chart 4.4: Major Sources of FDI in Kazakhstan during 2009-2019



Source: fDi Markets (accessed on February 04, 2020)

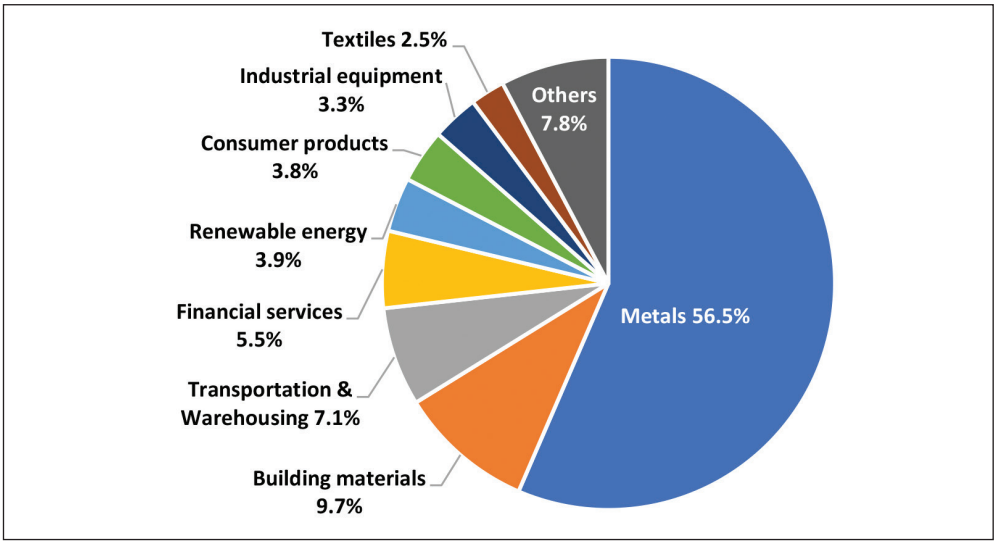
The US is the largest investor in Kazakhstan, accounting for 48.9 percent of the investments during 2009 and 2019, followed by China (16.2 percent), UK (6.6 percent) and Russia (4.3 percent) **(Chart 4.4)**.

KYRGYZSTAN

Investment in Kyrgyzstan is mainly dependent on FDI in the Kumtor gold mine as the country does not possess large amount of petroleum resources. Most of the FDI flows have gone to mining-related activities and to other sectors such as finance, petroleum products and manufacturing. FDI to non-mining related activities remains weak. Kyrgyzstan received a total envisaged investment of US$ 2.1 billion during 2009-2019, in 33 FDI projects executed by 33 companies and creating around 5,412 jobs in the country. According to BCG, Kyrgyzstan has the potential to increase FDI in non-extractive industries by US$ 1.5 billion-US$ 2 billion in the next 10 years.

The sectors that have attracted maximum amount of investment in Kyrgyzstan are metals sector, building materials, transportation and warehousing, financial services, renewable energy and consumer products **(Chart 4.5)**. During 2009-2019, metals sector received maximum investment of US$ 1.2 billion, creating around 1,439 job opportunities from 5 projects.

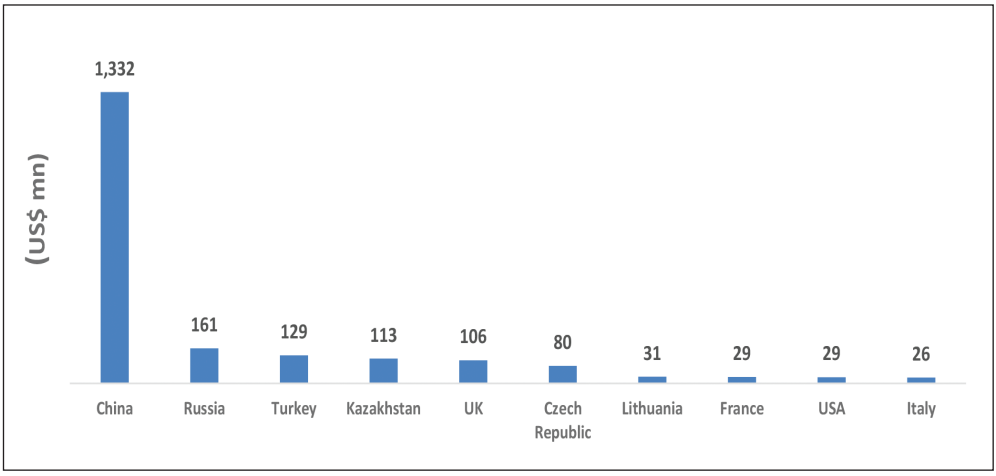
Chart 4.5: Major Sectors Attracting FDI in Kyrgyzstan during 2009-2019



Source: fDi Markets (accessed on February 04, 2020)

China is the largest investor in Kyrgyzstan, accounting for 64.5 percent of overall investments during 2009-2019, followed by Russia (7.8 percent), Turkey (6.2 percent), Kazakhstan (5.5 percent) and UK (5.1 percent) **(Chart 4.6)**.

Chart 4.6: Major Sources of FDI in Kyrgyzstan during 2009-2019



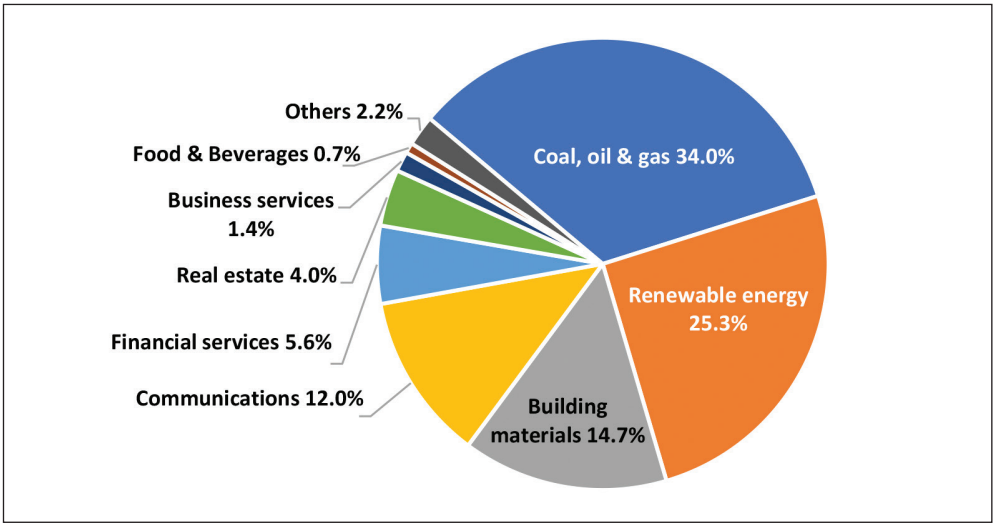
Source: fDi Markets (accessed on February 04, 2020)

TAJIKISTAN

Tajikistan has been attracting increased investment inflows, supported by its relatively stable economy and natural resources. It has the largest silver deposits in the world. It also has significant gold deposits and is the largest producer of aluminium in Central Asia. Though the country does not have aluminium ore, it has a large aluminium plant supporting its aluminium exports. Tajikistan also has a huge hydroelectric generation capacity. However, as per the Government estimates, only about 5-10 percent of the country's hydropower potential is being utilized. Tajikistan received a total envisaged investment of US$ 4.1 billion during 2009-2019, covering 53 FDI projects executed by 34 companies and creating around 6,278 jobs in the country. According to BCG, Tajikistan has the potential to increase FDI in non-extractive industries to US$ 3 billion-US$ 3.5 billion in the next ten years.

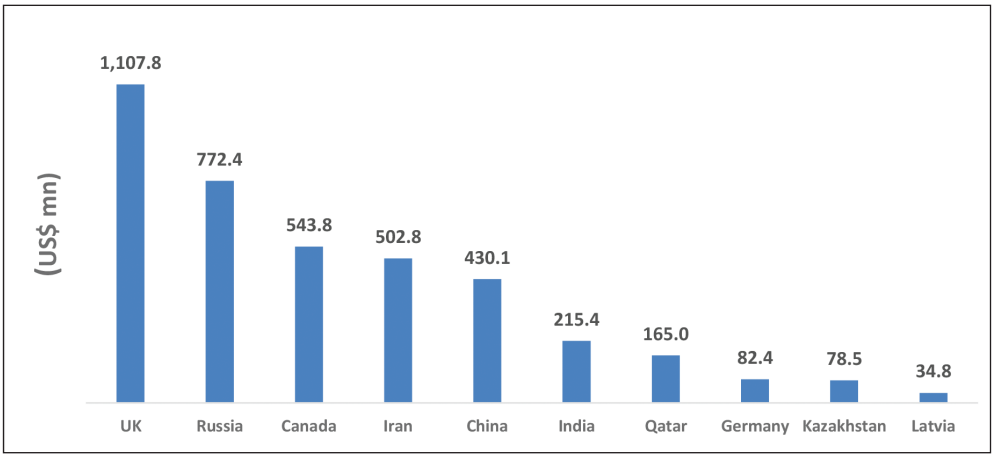
Major sectors receiving investment in Tajikistan during 2009-2019 include coal, oil and gas, renewable energy, building material sector, communications, financial services, real estate and business services **(Chart 4.7)**. Of the total 53 envisaged projects in all sectors, communication sector received the maximum number of projects at 20. Coal, oil and gas sector attracted the highest amount of investment valued at US$ 1.4 billion covering 6 projects and creating around 537 jobs. The highest number of jobs were created in the building material sector, at around 2,228 over the last decade.

Chart 4.7: Major Sectors Attracting FDI in Tajikistan during 2009-2019



Source: fDi Markets (accessed on February 04, 2020)

Chart 4.8: Major Sources of FDI in Tajikistan during 2009-2019



Source: fDi Markets (accessed on February 04, 2020)

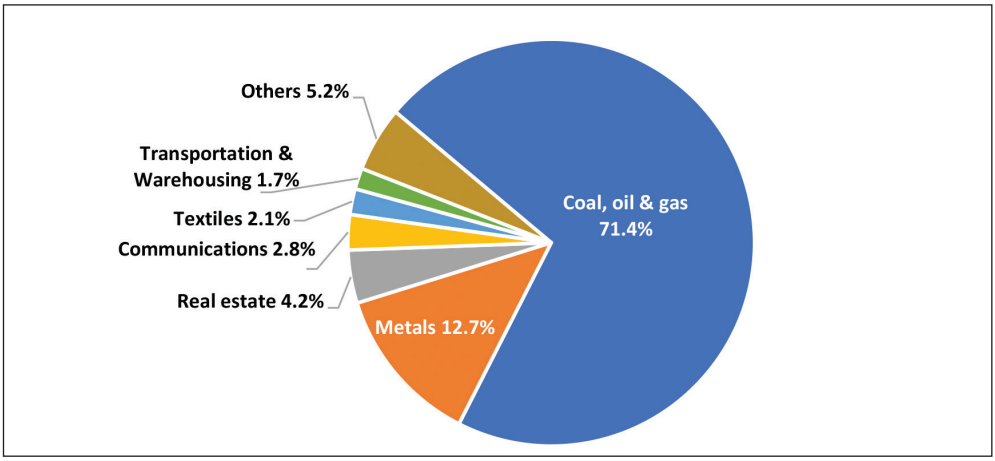
Around 27 percent of investments to Tajikistan during 2009-2019 came from UK. Other major investors during the same period include Russia (19 percent), Canada (13.3 percent), Iran (12.3 percent), China (10.6 percent) and India (5.3 percent) **(Chart 4.8)**.

TURKMENISTAN

Turkmenistan has abundant hydrocarbon reserves. It has the fifth largest gas reserves globally, with proven reserves of about 19.5 trillion cubic meters. The TAPI Pipeline once operational is expected to more than double Turkmenistan's gas export capacity. The country is a part of Ashgabat Agreement which aims at establishing an International Transport and Transit Corridor between Central Asia and the Persian Gulf, signed by India, Iran, Kazakhstan, Oman, Pakistan, Turkmenistan and Uzbekistan. The Government controls all key sectors of the economy and state-owned enterprises are responsible for the production and export of major primary products and most finished products in the manufacturing sector.

In order to diversify the economy and promote import substitution in the consumer and industrial sectors, the country attempts to attract investments in construction, chemicals, agriculture, healthcare, transportation and communications, logistics, banking, financial services and insurance. Turkmenistan received a total envisaged investment of US$ 7.9 billion during 2009-2019, covering 38 FDI projects executed by 33 companies, creating around 10,261 jobs in the country.

Chart 4.9: Major Sectors Attracting FDI in Turkmenistan during 2009-2019

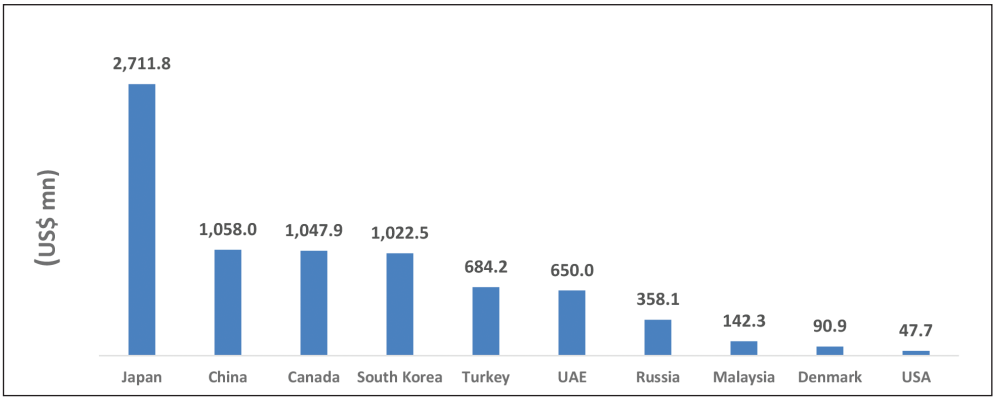


Source: fDi Markets (accessed on February 04, 2020)

Most of the investments into the country go towards extractive sector. The major sectors receiving investment in Turkmenistan include coal, oil and gas, metals, real estate, communications, textiles and transportation and warehousing **(Chart 4.9).** Coal, oil and gas sector received highest investment of US$ 5.6 billion, creating around 1,774 jobs in 12 projects. Maximum number of jobs, which were around 3,000, were created through a project in metals sector.

Japan is the largest investor in Turkmenistan, accounting for 34.4 percent of the investments during 2009 - 2019, followed by China (13.4 percent), Canada (13.3 percent), South Korea (13.0 percent) and Turkey (8.7 percent) **(Chart 4.10)**.

Chart 4.10: Major Sources of FDI in Turkmenistan during 2009-2019



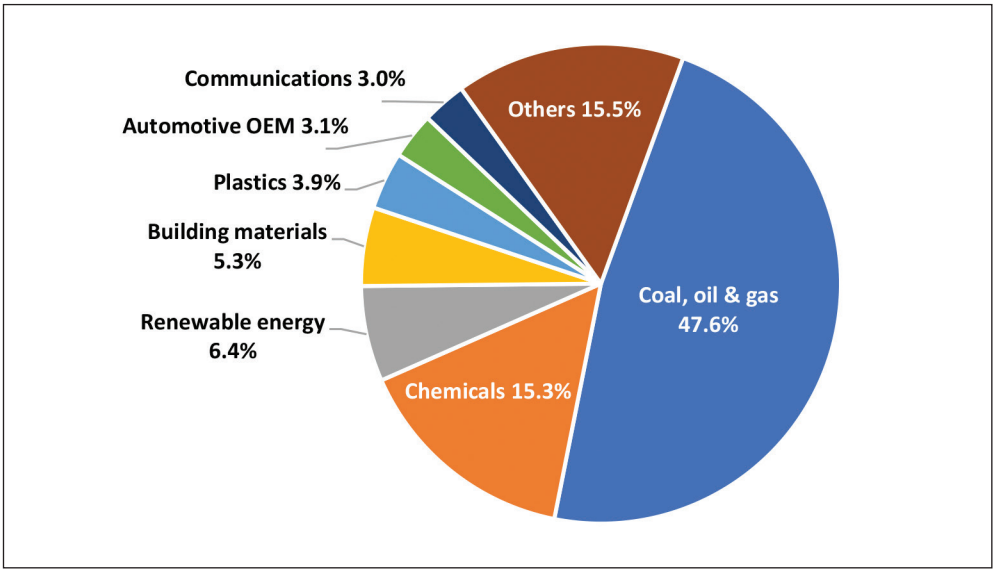
Source: fDi Markets (accessed on February 04, 2020)

UZBEKISTAN

Supported by vast natural resources, favorable trade, low debts, and significant currency and gold reserves, Uzbekistan is the most rapidly evolving country in Central Asia. The extraction of country's resources of gas, gold, copper and uranium is yet to reach its full potential. Moreover, the country is quite diversified, offering opportunities in non-extractive sectors also. According to BCG, Uzbekistan has the potential to increase its investments to US$ 65 billion, including up to US$ 20 billion in non-extractive industries over the next ten years. Uzbekistan received a total envisaged investment of US$ 31.5 billion during 2009-2019, executed by 184 companies and creating around 52,692 jobs in the country.

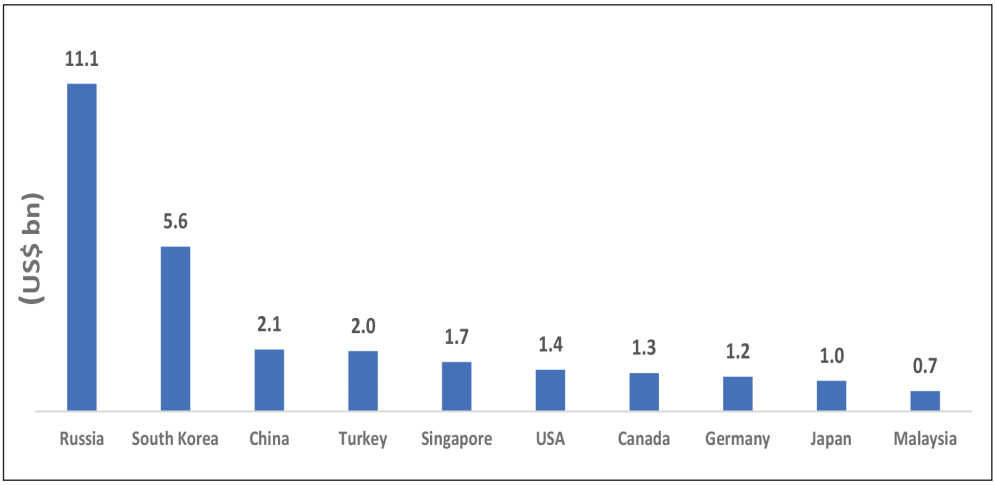
Uzbekistan has witnessed investments covering 241 projects across sectors over the last decade. The communications sector received the highest number of projects at 30 during the same period. The sector to attract most investment during 2009-2019 is coal, oil and gas sector, with capital investment of US$ 15 billion, covering 17 projects executed by 13 companies and creating around 5,469 jobs. This was followed by chemicals sector with an envisaged capital investment of US$ 4.8 billion, covering 12 projects executed by 12 companies and creating around 4,445 jobs. The other sectors to receive high investments are renewable energy, building materials sector and plastics **(Chart 4.11)**.

Chart 4.11: Major Sectors Attracting FDI in Uzbekistan during 2009-2019



Source: fDi Markets (accessed on February 04, 2020)

Chart 4.12: Major Sources of FDI in Uzbekistan during 2009-2019



Source: fDi Markets (accessed on February 04, 2020)

Russia is the largest investor in Uzbekistan, accounting for 35.2 percent of overall investments during 2009-2019, followed by South Korea (17.7 percent), China (6.7 percent), Turkey (6.5 percent) and Singapore (5.3 percent) **(Chart 4.12)**.

Investment Regimes and Incentives in CARs

KAZAKHSTAN

Kazakhstan has emerged as a major destination of global FDI to Central Asia. Kazakhstan is important to global energy markets because of its significant oil and gas reserves and production. The country stands at the crossroads of numerous trade routes, as well as being a key component of the Belt and Road Initiative.

Since 1991, Kazakhstan began a series of broad-based reforms in an effort to move from a planned economy to a market economy. These reforms include demonopolization, privatization, debt restructuring, lifting profitability controls, price liberalization, and customs and tax reform. Kazakhstan also established a securities and exchange commission, liberalized trade, enacted laws on investment, set up a Government procurement process, and reformed its banking system. Kazakhstan is continuing to make progress in creating a young and growing market economy. “The Kazakhstan 2050” strategy also envisages attracting greater FDI into the country. This policy aims to promote economic development, advance competitiveness of the country and diversify its economy. Supported by its favourable investment climate, Kazakhstan became an associate member of OECD Investment Committee and became the 48th country to join the

OECD Declaration and Decisions on International Investment and Multinational Enterprises. Kazakh Invest is a 'one stop shop' for investment related activities in the country.

Investment preferences[17]

As per the Kazakhstan Law on Investments, an investor can be provided with:

- **Tax preferences** – exemption from VAT on import of raw materials and materials;
- **Exemption from customs duties** for imported equipment and its components; raw materials and spare parts for technological equipment for up to 5 years;
- **Government grant-in-kind** for land parcels, buildings and facilities owned by state;
- **Tax benefits for investment in priority projects** (land tax - 0% for 10 years; property tax - 0% for 8 years; corporate income tax - 0% for 10 years); and
- **Investment grant in priority projects** (refunds up to 30% of the cost of construction and installation works and purchase of equipment).

Special Economic and Industrial Zones

Special Economic Zones and Industrial Zones have attractive preferential tax regime for implementation of various projects. Industrial Zones are set up with the aim of creating modern infrastructure to encourage development of import substituting and competitive industries and to attract investments. There are 13 SEZs in the country with different sectoral orientations and 22 Industrial Zones, including 4 private owned ones.

[17]Sourced from Kazakh Invest (http://invest.gov.kz/).

Benefits for SEZ Participants

<table>
<tr><th>Tax Exemptions</th><th>Customs Privilege</th><th>Other Incentives</th></tr>
<tr><td>Reduction of CIT by 100%</td><td rowspan="5">Exemption from customs duty for goods imported into the territory of SEZ</td><td>Attracting foreign labour force out of quotas and permits for projects worth more than one million MCI during the construction period and 1 year after commissioning</td></tr>
<tr><td>Reduction of land tax rate by 100%</td><td>Availability of complete infrastructure</td></tr>
<tr><td>Reduction of property tax rate by 100%</td><td rowspan="3">The SEZ Management Body for coordination and support for all internal processes</td></tr>
<tr><td>Zero VAT for goods sold in the territory</td></tr>
<tr><td>Exemption of 100% social tax for PIT SEZ, under stipulation that labour costs comprise at least 70% of total costs</td></tr>
</table>

Foreign Investments Protection Guarantees

A national status was assigned to International investments in Kazakhstan, which enable foreign and domestic companies to have the same conditions to conduct investment activities. The Law of Kazakhstan stipulates various guarantees to minimize risks that investor can incur in carrying out investment activities in Kazakhstan. These include:

- Investor activity legal protection;
- Income use warranty;
- Transparency of state body activities with regard to investors; and
- Investor rights warranty during nationalization and requisition.

Besides, Kazakhstan concluded Investment Mutual Protection and Encouragement Agreement with 47 countries and one Agreement within the framework of the Eurasian Economic Community that provides collateral warranties of investor rights protection: discrimination protection, requisition and nationalization, and the right to settle investment disputes in international arbitration courts in case of missing arbitration agreement.

Kazakh Invest National Company (Kazakh Invest)

Kazakh Invest is a one stop shop for current and potential investors. It is a single point of contact to support businesses on their investment, and the official investment promotion agency of Kazakhstan. The main goal of Kazak Invest is to undertake systematic search for potential investors, informing them about investment opportunities in the country and providing them comprehensive assistance. The agency provides a full range of services to support investment projects, from the initial investment concept to the implementation of projects, as well as providing ongoing support to established enterprises. It also provides clarity on investment opportunities, reduces red tape, and helping to meet all investor needs, including the provision of necessary government services and permits.

UZBEKISTAN

Uzbekistan enjoys a favourable investment environment on account of several factors which include besides others, a politically stable environment, favourable tax policies and incentives for foreign investors, abundance of minerals and natural resources, favourable geographical location, skilled labour force and intellectual potential. Uzbekistan has pursued a gradual but steady path towards reforming and modernizing its economy and has taken concrete steps to enlarge the private sector both through its privatization program and through the creation of an enabling business environment. The Government of Uzbekistan places high priority to attracting investments into the country in diverse sectors. The Government generally welcomes investments that are in line with its import-substitution and export-oriented industrialization policy.

The economy of Uzbekistan has a huge investment potential. Since its independence in 1991, Uzbekistan strived to create a favourable investment environment, a broad system of legal guarantees and privileges for foreign investors, and developed an integral system of measures for the encouragement of FDI. Uzbekistan's broad investment regime and key policy measures are briefly highlighted in the following sections[18].

Investment Policy of Uzbekistan

The investment legislation of Uzbekistan is amongst the advanced legislations in the CIS countries, and has incorporated major provisions of the international investment law, in particular, regulations on guarantees of the rights of foreign investors, certain preferences for investors and others.

[18]Sourced from "Investment Promotion Agency", under the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan (http://invest.gov.uz/)

Foreign investments in Uzbekistan could be made in different forms:

- Share participation in statutory funds and other property of business entities and partnerships, banks, insurance organizations and other enterprises established together with legal entities and (or) individuals of Uzbekistan;
- Creation and development of economic societies and partnerships, banks, insurance organizations and other enterprises wholly owned by foreign investors;
- Acquisition of property, shares and other securities, including debt instruments issued by residents of Uzbekistan;
- Investing in intellectual property rights, including copyrights, patents, trademarks, utility models, industrial designs, brand names and know-how, as well as business reputation (goodwill);
- Acquisition of concessions, including concessions for exploration, development, extraction or use of natural resources;
- Acquisition of the right to objects of trade and services, housing, together with the land on which they are located, as well as the right to own and use land (including on the basis of rent) and natural resources; and
- In any other forms that do not contradict the current legislation.

Legal Institutions for Protecting Rights of Foreign Investors

Uzbekistan has no restrictions concerning the form of capital investment. Foreign investors are entitled to create within the country, enterprise in any organizational-legal form allowed by the legislation. On January 1, 2007, the "Law on arbitration courts" entered into force, which served as the legal basis for creation, functioning and activity of arbitration courts, both permanently and temporarily created. Thus, at present, along with the already existing means of protecting the rights and guarantees of foreign investors, by agreement of the parties, arbitration courts can be established in the country with the involvement of independent experts acceptable to both parties.

At the same time, the task of ensuring the protection of the rights and legitimate interests of foreign investors and enterprises with foreign investments is entrusted with the Ministry of Justice. To this end, the Department of Legal Protection of Foreign Investments and Enterprises with Foreign Investments was established within the structure of the Ministry of Justice. The International Commercial

Arbitration Court at the Chamber of Commerce and Industry of the Republic of Uzbekistan was established on February 15, 2011.

Enterprises with Foreign Investment

To register an enterprise with foreign investments in Uzbekistan, it is necessary to fulfill 3 conditions:

- The size of the authorized capital is not less than soums 400 millon;
- Founder must be a foreign legal entity; and
- The share of a foreign legal entity or individual must be at least 15 percent of the total size of the statutory fund.

Registration of enterprises with foreign investments is held in the district centers of public services, depending on the postal address of the enterprise.

Currency Conversion and Repatriation of Profits

According to the Law of Uzbekistan, foreign investors are guaranteed free transfer of funds in foreign currency to and from Uzbekistan without any restrictions, provided that they pay taxes and other obligatory payments in the manner established by the legislation. These transfers include:

- Initial and additional amounts to maintain or increase foreign investment;
- Income from investments;
- Funds received as compensation for damages;
- Payments made in the execution of contracts;
- Proceeds from the sale of all or part of foreign investment;
- Payments arising from the settlement of a dispute, including any judicial or arbitral award;
- Wages and other payments to employees; and
- Funds from other sources received in accordance with the law.

In accordance with the norms of international law, the state may suspend the repatriation of a foreign investor's funds on conditions of:

- Non-discriminatory application of legislation in cases of insolvency and bankruptcy of an enterprise with foreign investments or protection of creditors' rights; and

- Criminal acts or administrative offenses committed by a foreign investor or in accordance with a judicial or arbitral award.

A foreign investor has the right to terminate investment activities in Uzbekistan in the manner prescribed by law. After the termination of investment activities, a foreign investor has the right to free repatriation in cash or in kind of their assets obtained as a result of the termination of investment activities, without prejudice to the fulfillment of the obligations of a foreign investor.

Tax and Customs Privileges and Preferences

Tax and customs privileges are granted to foreign investors and enterprises with foreign investments. Along with customs and tax benefits established for all enterprises of the country, there are a number of benefits provided to enterprises of the following sectors of the economy, attracting direct private foreign investment:

- Products of radio electronic industry and production of components for computers;
- Light industry;
- Silk industry;
- Building materials industry;
- Industrial production of poultry meat and eggs;
- Food industry;
- Meat and dairy industry; and
- Chemical and pharmaceutical industry.

These enterprises are exempted from paying income tax (profit), property tax, social infrastructure development and landscaping tax, environmental tax, single tax for micro and small enterprises, as well as mandatory contributions to the Republican Road Fund. The specified tax benefits are provided with the volume of direct private foreign investment:

- From US$ 300 thousand to US$ 3 million – for a period of 3 years;
- Over US$ 3 million to US$ 10 million – for a period of 5 years; and
- Over US$ 10 million– for a period of 7 years.

At the same time, these tax benefits apply under the following conditions:

- Location of these enterprises in the labor-surplus regions;
- Implementation of FDI by foreign investors without provision of a guarantee;
- Share of foreign participants in the authorized capital of the enterprise must be at least 50 percent;
- Foreign investment in the form of freely convertible currencies or new modern technological equipment; and
- Direction of income received as a result of provision of these benefits during the period of their use, to reinvest with the aim of further development of the enterprise.

In some cases on the basis of concluding investment agreement, additional guarantees and measures of protection can be given to foreign investors for investing in:

- Priority sectors providing steady economic growth, and progressive structural changes in national economy;
- Priority projects for strengthening and expanding export potential of the country and its integration into world; and
- Projects in sphere of small business oriented at processing of raw materials and production of consumer goods and services, providing employment.

The "Investment Promotion Agency", under the Ministry of Investments and Foreign Trade of Uzbekistan provides the list of promising investment projects to be developed in the country on yearly basis.

TAJIKISTAN

After gaining independence, Tajikistan has been implementing a consistent economic policy directed towards establishing a market economy. Through these policy measures, Tajikistan has succeeded in reaching macroeconomic stability and relatively high pace of economic growth. With a view to developing the infrastructural base for industrial growth, the Government of Tajikistan is attracting essential investments in road construction, development of energy sector and mining industry.

Tajikistan has made a number of changes that has improved its rankings in doing business from 152nd in 2011 to 106th in 2019. Tajikistan was ranked among the top 10 reformers in the Doing Business 2020 Report. The Government of Tajikistan in 2016 adopted a new National Development Strategy 2030, where special priority is given to the private sector for attracting investments.

Law on Investment (2007) and Law on Foreign Economic Activities (1993) provide the legal basis for foreign investment in Tajikistan. The Law on Investment regulates relations related to investment activities, legal and economic basis of activation, stimulation and state support for investments through provision of fair and equal regime and guarantee protection of rights of investors. It is the Law governing the investment in the country by foreign entities. The State Investment and Property Management Committee regularly lists investment opportunities in priority sectors on its website along with tender participation information.

According to the Law of Investment, foreign investments can be made in the following forms:

- Establishment of enterprises completely possessed by foreign investors including the representative offices and branches owned by foreign legal entities or by acquisition of ownership of existing enterprises;
- Establishment of legal entities with participation of citizens of the country or the acquisition of shares in existing enterprises;
- Acquisition of shares, bonds and other securities stipulated by the legislation;
- A standalone purchase or with the participation of legal entities in Tajikistan and citizens of Tajikistan of the right of concession on use of objects of government property and natural resources;
- Acquisition of other property rights; and
- Other non prohibited forms stipulated by the legislation of Tajikistan.

Investment Benefits

The Investment Law provides the following investment benefits on a case by case basis:

- Tax exemptions;
- Customs preferences; and
- State grants in the form of free property, vehicles and land.

Exchange Controls

The somoni is the only permitted currency for settlements within Tajikistan. Residents and non-residents may hold both hard currency and the somoni bank accounts, and may import and exchange currency within statutory regulations.

Legal Guarantees for Investors and Protection of Investments[19]

- Equal rights for foreign and domestic investors;
- Guarantees of investor's rights against nationalization and requisition;
- Guarantees of rights to carry out exploration, processing and use of natural resources;
- Guarantees of rights for freely transfer income and salaries in foreign currency, obtained legally from investment and production activities abroad; and
- Guarantee of applying the legislation that was in effect at the time of registration of the enterprise in case of subsequent registrations, increasing tax burden.

Tax and Customs Preferences

1. Certain exemption from customs and VAT

- Import of agricultural equipment is exempted from VAT and customs duties;
- Import of goods directly for own use by newly created enterprises involved in the industrial processing of leather, wool, raw silk and other agricultural raw materials into final products is exempted for a period of up to 5 years;
- Poultry products and enterprises engaged in the production of combined fodder for birds and animals and operating with foreign capital not less than

[19]Investment climate and regime in Tajikistan sourced from "Tajikistan: Investment Opportunities", State Committee on Investments and State Property Management of the Republic of Tajikistan, 2019

US$ 16 million are exempted for up to 12 years from payment of VAT, profit tax, road tax, real estate tax and customs duties for the import of goods for the use of enterprises;

- Processing Equipment - Import of production and manufacturing equipment and components for the creation of a full production cycle;
- Import of equipment and building materials for tourist facilities;
- Import of medicines, pharmaceutical equipment and medical instruments; and
- Import of goods for the construction of hydroelectric power plants.

2. *Exemption from VAT*

- Activities related to the delivery or export of cotton fiber, cotton yarn and raw cotton;
- Delivery, including for export of precious metals and stones, jewelry from precious metals and stones, primary aluminum, metal concentrates, commercial ore, ferrous and non-ferrous scrap metals, and other metals produced in the country; and
- Financial services.

3. *Exemption from Profit Tax*

In Tajikistan, investment incentives are provided for the creation of a favorable investment environment, as well as attracting investments into the country. Investment incentives are divided into fiscal (such as tax rebates) and non-fiscal incentives (such as grants, soft credits and measures to improve the business environment). Depending on the amount of investment, companies are exempted from profit tax up to a period of 5 years.

- 2 years – if the volume of investments amounts up to US$ 500 thousand;
- 3 years – if the volume of investments exceeds US$ 500 thousand, up to US$ 2 million;
- 4 years – if the volume of investments exceeds US$ 2 million, up to US$ 5 million; and
- 5 years – if the volume of investments exceeds US$ 5 million.

In addition to privileges by law, specific preferences can be agreed upon by signing an investment agreement with the Government.

Key Institutions

The State Committee on Investment and State Property Management (SCI) of Tajikistan, established by the Decree of the President of Tajikistan in December 2006, is the key institution responsible for attracting investments into the country, besides supporting entrepreneurship. It strives to create a favourable investment climate and increase investment flow to the country. In 2010, State Unitary Enterprise "Tajinvest" was established under the State Committee on Investment and State Property Management of Tajikistan, in order to carry out investment activities, presentation of investment opportunities and attracting capital into the economy by providing services to foreign investors.

KYRGYZSTAN

Kyrgyzstan is one of the most investor-friendly emerging economies in the CIS region, with a relatively advanced legal framework and sustained commitment to encouraging investment. Kyrgyzstan strongly encourages private investment, both from foreign and domestic sources. The Government has pursued a policy of improving the investment climate by reducing bureaucracy, streamlining the legal framework, fighting corruption and stabilizing the economy.

Kyrgyzstan has shown remarkable improvement in terms of ease of doing business, with its rank improving from 173rd position in 2006 to 80th position in 2019. Kyrgyzstan was included in the top 20 reformers in the Doing Business 2020 Report.

State Guarantees to Foreign Investors[20]

Kyrgyzstan provides the following guarantees to foreign investors:

- Equal investment rights to domestic and foreign investors, no intervention into the business activities of investors, protection and restitution of infringed rights of investors in accordance with the legislation;
- Export or repatriation of profit gained on investment, proceeds of investment activities, property and information out of the country;
- Guarantees of protection from expropriation (nationalization, requisition, or other equivalent measures);
- Guarantee of free use of proceeds of business activities in Kyrgyzstan;

[20]Salient features of Business and Investment Regime in Kyrgyzstan, sourced from Ministry of Economy, Kyrgyzstan (http://www.mineconom.kg/)

- Guarantee of the right to invest in any form in any objects/assets and types of business activities, which are not prohibited by the legislation;
- Guarantee of free currency transactions (free conversion and money transfers);
- Free access to public information; and
- Guarantee of investor's right to intellectual property.

Legal Framework for Investment Activities

Since investments are major prerequisites for economic development in Kyrgyzstan, investment legislation of the country is quite liberal. Foreign investors enjoy the national treatment applied to individuals and legal entities of the country.

An investment dispute between Kyrgyz authorities and an investor should be settled wherever possible by consultations between the parties. If the parties do not settle amicably within 3 months from the day of the first written request for such consultation, any investment dispute between the investor and Kyrgyz authorities shall be settled in courts of Kyrgyzstan. Some agreements on mutual support, encouragement and protection of investment (capital expenditure), signed by Kyrgystan contain provisions entitling foreign investors to submit their investment disputes to international arbitral tribunals.

Key Institutions

The Ministry of Economic Development and Trade of Kyrgyzstan is the authorized executive body responsible for the development of national investment policy. It drafts and implements a cohesive national macroeconomic, financial, tax and customs policy, along with a policy that covers economic development, foreign trade and economic activities, encouraging investment, technical regulation, support and development of entrepreneurship, and the development of free economic zones.

The primary tasks of the Investment Promotion and Protection Agency of Kyrgyzstan are to attract and promote investment into the national economy, to assist existing and potential exporters in promoting their products in overseas markets and to develop mechanisms for public-private partnership.

TURKMENISTAN

Turkmenistan is relatively sparsely inhabited, with abundant hydrocarbon resources, particularly natural gas. The Government of Turkmenistan is very eager to attract foreign investments but the tight state of control of the economy, slow pace of economic reforms and restrictive visa regimes have hindered the creation of an attractive investment climate. Turkmenistan does not allow private ownership of land, and most of its industries are state-owned.

The Government has announced plans to attract foreign technology and investments into the country. Since the beginning of 2008, Turkmenistan has adopted legal reforms on foreign investment and licensing, with a view to improving the foreign investment climate. Turkmenistan's economy depends heavily on production of natural gas, oil, petrochemicals and to a lesser degree, cotton and textiles. The country remains one of the largest gas producers among the former Soviet Republics. The country's key industries are still state-owned.

Although Turkmenistan has adopted a number of laws designed to regulate foreign investment, there is a need for effective and efficient implementation. In May 2010, the Government of Turkmenistan adopted its 'National Program for Socio-Economic Development of Turkmenistan for 2011-2030'. The program envisages diversification of the economy and increased competition, and recognizes the importance of further market and institutional reforms. The program also includes privatization of small and medium enterprises (SMEs). In October 2006, Turkmenistan adopted the 'Oil and Gas Development Plan for 2007-2030'. Despite these initiatives, Turkmenistan's investment climate remains generally closed.

The Government strictly controls foreign exchange flows and the conversion of local currency to foreign currency is difficult. Dispute settlement clause in contracts generally does not allow for arbitration in a venue outside of Turkmenistan. There are no alternative dispute resolution mechanisms in Turkmenistan as a means for settling disputes between two private parties.

The Law on Foreign Investment guarantees the protection of intellectual property of foreign investors, including literary, artistic and scientific works, software, databases, patents and other copyrighted items. Turkmenistan has not yet adopted more explicit and comprehensive administrative and civil procedures and criminal penaties for intellectual property rights (IPR) violations. In 2012 Turkmenistan adopted a law on copyright and related rights.

The Law on Free Economic Zones enacted in October 2017 guarantees the rights of businesses, both foreign and domestic, to operate in free economic zones (FEZs) without profit ceilings. The law forbids the nationalization of enterprises operating in the zones and discrimination against foreign investors. Other rights guaranteed include:

- Preferential tax status, including an exemption from profit tax if profits are reinvested in export-oriented, advanced technology enterprises;
- Repatriation of after-tax profits;
- Exemption from customs duties, except on products of foreign origin; export of products; and
- Setting product prices.

Key Institutions

The State Agency for Foreign Investment (SAFI), which was established by a presidential decree in 1996, monitors all foreign investment and reviews investment proposals and foreign currency credits, proposed by ministries.

5. INDIA - CENTRAL ASIAN REPUBLICS: TRADE AND INVESTMENT RELATIONS

Central Asian Republics represent a region of considerable interest for India due to its strategic geographical location, mineral and hydrocarbon wealth, and prospects for the development of multiple trade corridors through land and sea routes. The region, being a part of India's "extended neighbourhood", is pivotal in India's foreign policy.

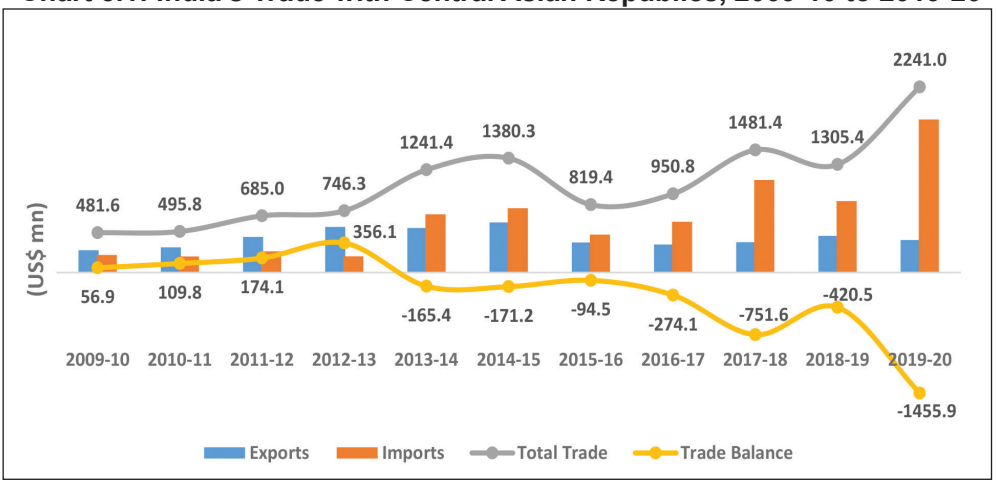
Given the enormous and ever increasing energy demand of India and the significance of the region in connecting India to Russia and Eastern European countries, CARs appear as a natural geo-strategic partner for India. On the other hand, India's pivotal geo-strategic position in the Indian Ocean could create unprecedented trade opportunities for countries in the region. To further integrate India's trade with the region, the 'Connect Central Asia' Policy was launched by GOI in 2012.

Trends in India's Trade with Central Asian Republics

India's total trade with CARs has witnessed an almost three-fold rise from US$ 481.6 million in 2009-10 to US$ 1.3 billion in 2018-19, with India's exports to the region amounting to US$ 442.5 million and imports amounting to US$ 863 million in 2018-19. During 2019-20 (April-January), India's exports to the region moderated to US$ 392.5 million, while imports witnessed a quantum jump to US$ 1.9 billion, with total trade aggregating to US$ 2.2 billion **(Chart 5.1)**. The sharp increase in Indian imports from the region is due to increased crude oil imports from Kazakhstan, partially attributed to a reduction in India's crude oil production.

India is witnessing an unfavourable trade balance with the region as trade surplus of US$ 56.9 million during 2009-10 turned into a trade deficit of US$ 165.4 million in 2013-14, which has widened further to reach US$ 420.5 million in 2018-19. Trade deficit witnessed a sharp jump to an all-time high of US$ 1.5 billion during 2019-20 (April-January). India's exports to the region increased at a CAGR of 5.7 percent during the period 2009-10 to 2018-19, while imports grew at a CAGR of 16.9 percent during the same period.

Chart 5.1: India's Trade with Central Asian Republics, 2009-10 to 2019-20



Note: 2019-20 pertains to April-January data
Source: Directorate General of Commercial Intelligence and Statistics (DGCIS), Ministry of Commerce and Industry (MOCI), Government of India (GOI)

Table 5.1: India's Trade with Central Asian Republics, 2009-10 to 2019-20

(US$ million)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Exports	269.3	302.8	429.6	551.2	538.0	604.6	362.5	338.3	364.9	442.5	392.5
% Change	-	*12.5*	*41.8*	*28.3*	*-2.4*	*12.4*	*-40.0*	*-6.7*	*7.9*	*21.3*	*-11.3*
Imports	212.4	193.0	255.4	195.1	703.4	775.7	456.9	612.5	1116.5	863.0	1848.5
% Change	-	*-9.1*	*32.4*	*-23.6*	*260.5*	*10.3*	*-41.1*	*34.0*	*82.3*	*-22.7*	*114.2*
Total Trade	481.6	495.8	685.0	746.3	1241.4	1380.3	819.4	950.8	1481.4	1305.4	2241.0
Trade Balance	56.9	109.8	174.1	356.1	-165.4	-171.2	-94.5	-274.1	-751.6	-420.5	-1455.9

Note: 2019-20 pertains to April-January data
Source: DGCIS, MOCI, GOI

India's Trade with Central Asian Republics

During 2018-19, Uzbekistan became India's leading export destination among CARs, accounting for around 46 percent of India's total exports to the region. The other major export destinations in the region were Kazakhstan with a share of 32.3 percent of total exports, Turkmenistan (10.3 percent), Kyrgyzstan (6.8 percent) and Tajikistan (5 percent). During 2019-20 (April-January), India's maximum exports to the region went to Kazakhstan, followed by Uzbekistan.

With regards to imports, Kazakhstan is the largest supplier to India among CARs, accounting for over 82 percent of India's total imports from the region in 2018-19. Uzbekistan accounted for 14.7 percent of India's total imports from the region, followed by Turkmenistan (2.4 percent) and Tajikistan (0.5 percent). Imports from Kyrgyzstan into India were marginal with 0.3 percent share during 2018-19. During 2019-20 (April–January), India's imports from Kazakhstan witnessed a sharp increase, resulting in the country accounting for over 96 percent of India's imports from CARs.

Commodity Composition of Bilateral Trade

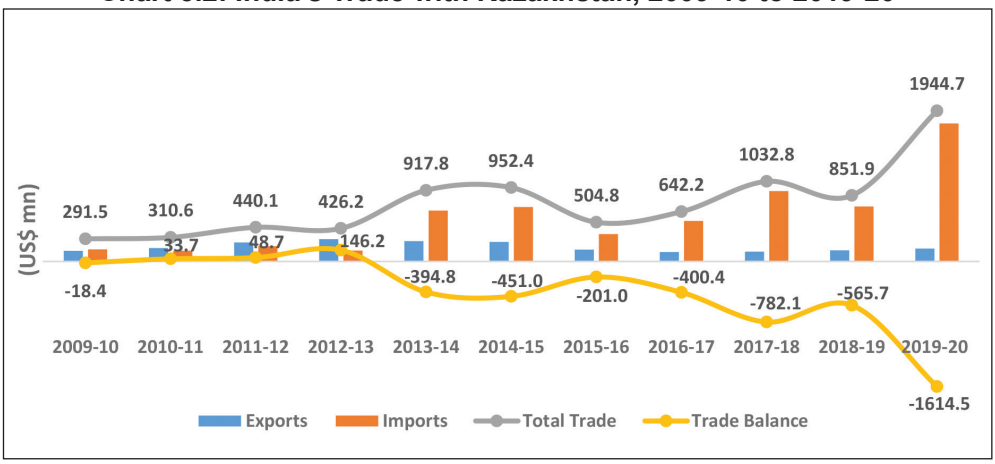
Pharmaceutical products are the major exported commodity by India, accounting for 34.4 percent of India's total exports to CARs during 2018-19. Other major export commodities include machinery and mechanical appliances (21 percent of India's total exports); coffee, tea and spices (8.3 percent); electrical machinery and equipment (7.4 percent); vehicles other than railway or tramway (4 percent) and meat and edible meat offal (3.5 percent).

As regards imports, mineral fuels, oils and products of distillation accounted for over 60 percent of India's total imports from the region during 2018-19. Other major imported items include pearls, precious or semi-precious stones and metals (22.6 percent of total imports); ores, slag and ash (12.2 percent) and fertilisers (1.8 percent). During 2019-20 (April-January), share of Indian imports of mineral fuels, oils and products of distillation from CARs increased sharply to 90.5 percent.

KAZAKHSTAN

Kazakhstan is India's second largest export destination in the region in 2018-19. Due to sharp rise in India's imports from the country in recent years, India's total trade with Kazakhstan increased to US$ 851.9 million in 2018-19 as compared to US$ 291.5 million in 2009-10. With imports of US$ 708.8 million and exports of US$ 143.1 million, India's trade deficit with the country reached US$ 565.7 million in 2018-19, from US$ 18.4 million in 2009-10. During 2019-20 (April-January), a sharp jump in India's imports from Kazakhstan (reaching US$ 1.8 billion) has been witnessed, resulting in a widening of trade deficit to US$ 1.6 billion **(Chart 5.2).**

Chart 5.2: India's Trade with Kazakhstan, 2009-10 to 2019-20



Note: 2019-20 pertains to April-January data
Source: DGCIS, MOCI, GOI

The main export items from India to Kazakhstan include pharmaceutical products; tea; electronic goods and machinery, together accounting for over 81 percent of India's total exports to Kazakhstan during 2018-19. Exports of pharmaceuticals alone accounted for one-third of India's total exports to the country in 2018-19 **(Table 5.2).**

Table 5.2: India's Major Exports to Kazakhstan, 2009-10 to 2019-20

HS Code	Commodity	2009-10		2010-11		2018-19		2019-20 (Apr-Jan)	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share
	Exports to Kazakhstan	**136.5**	**100.0**	**172.2**	**100.0**	**143.1**	**100.0**	**165.1**	**100.0**
30	Pharmaceutical products	47.0	34.4	48.8	28.3	48.3	33.7	43.3	26.2
09	Coffee, tea and spices	30.2	22.1	50.8	29.5	29.1	20.3	19.3	11.7
85	Electrical machinery and equipment	3.5	2.5	7.7	4.5	23.6	16.5	57.5	34.8
84	Machinery and mechanical appliances	10.1	7.4	5.3	3.1	15.2	10.6	21.3	12.9
90	Optical, photographic, medical or surgical instruments	4.0	2.9	0.7	0.4	3.8	2.6	2.5	1.5
29	Organic chemicals	1.1	0.8	2.0	1.2	2.8	1.9	1.3	0.8
38	Miscellaneous chemical products	0.4	0.3	1.3	0.7	1.6	1.1	1.0	0.6
39	Plastic and articles	0.3	0.2	0.7	0.4	1.5	1.0	1.0	0.6

Source: DGCIS, MOCI, GOI

Table 5.3: India's Major Imports from Kazakhstan, 2009-10 to 2019-20

HS Code	Commodity	2009-10		2010-11		2018-19		2019-20 (Apr-Jan)	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share
	Imports from Kazakhstan	**154.9**	**100.0**	**138.4**	**100.0**	**708.8**	**100.0**	**1779.6**	**100.0**
27	Mineral fuels, oils and products of distillation	0.4	0.2	-	-	520.4	73.4	1672.8	94.0
26	Ores, slag and ash	-	-	-	-	101.3	14.3	-	-
71	Pearls, precious or semi-precious stones and metals	10.6	6.8	23.1	16.7	73.1	10.3	91.8	5.2
28	Inorganic chemicals	3.5	2.2	7.3	5.3	5.9	0.8	4.9	0.3
25	Salt, sulphur, stone, and cement	25.2	16.2	31.4	22.7	3.4	0.5	3.8	0.2
81	Other base metals	-	-	0.4	0.3	1.3	0.2	0.6	-
72	Iron and steel	54.0	34.9	23.5	17.0	1.3	0.2	1.4	0.1

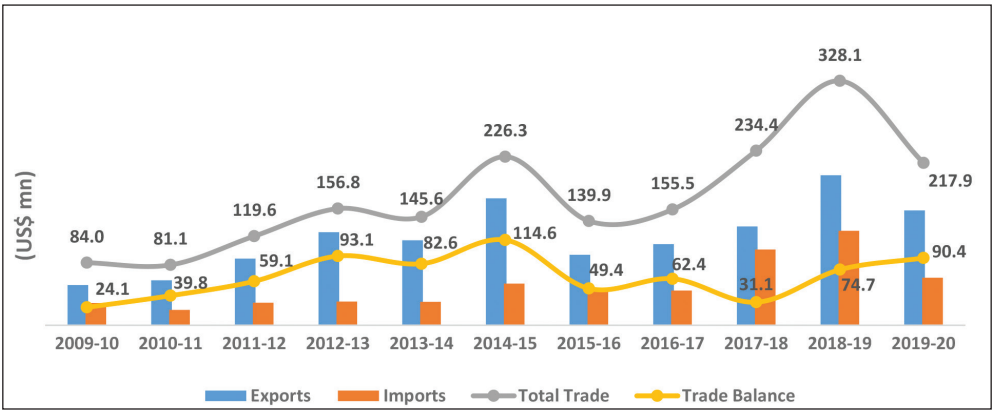
Note: '-' denotes not available or negligible
Source: DGCIS, MOCI, GOI

With regards to India's imports from Kazakhstan, which is also the largest import source for India in the region, the import basket is dominated by crude oil, which accounted for nearly three-fourth of India's total imports from the country during 2018-19. Other major imported commodities in 2018-19 include ores, slag and ash and pearls and precious stones **(Table 5.3)**. During 2019-20 (April-January), India's imports of mineral fuels from Kazakhstan witnessed a sharp jump, accounting for 94 percent of total imports from the country. This increase can be attributed to a decline in domestic production of crude oil and fall in crude imports from sanction countries during the year.

UZBEKISTAN

India's total trade with Uzbekistan increased almost four-fold to US$ 328.1 million in 2018-19, from US$ 84 million in 2009-10 **(Chart 5.3)**. India has a favourable trade balance with Uzbekistan with the trade surplus increasing from US$ 24.1 million in 2009-10 to US$ 74.7 million in 2018-19. Uzbekistan became the largest export destination for India in the Central Asian region in 2017-18.

Chart 5.3: India's Trade with Uzbekistan, 2009-10 to 2019-20



Note: 2019-20 pertains to April-January data
Source: DGCIS, MOCI, GOI

India's exports to Uzbekistan amounted to US$ 201.4 million in 2018-19, increasing from US$ 54 million in 2009-10, driven mainly by exports of machinery and instruments, pharmaceuticals and fine chemicals and transport equipment, together accounting for 77 percent of India's exports to Uzbekistan during 2018-19. Machinery and mechanical appliances alone accounted for over one-third of India's total exports to the country **(Table 5.4)**. Other major exports from India to Uzbekistan include tanning or dyeing extracts; plastic and articles and electrical machinery and equipment.

Table 5.4: India's Major Exports to Uzbekistan, 2009-10 to 2019-20

HS Code	Commodity	2009-10		2010-11		2018-19		2019-20 (Apr-Jan)	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share
	Exports to Uzbekistan	**54.0**	**100.0**	**60.4**	**100.0**	**201.4**	**100.0**	**154.1**	**100.0**
84	Machinery and mechanical appliances	11.6	21.5	5.2	8.5	73.5	36.5	47.1	30.6
30	Pharmaceutical products	29.7	55.0	33.8	55.9	64.2	31.9	68.2	44.2
87	Vehicles other than railway or tramway	0.4	0.6	1.2	2.0	17.2	8.6	5.0	3.3
32	Tanning or dyeing extracts	1.3	2.5	1.4	2.4	6.4	3.2	5.8	3.8
39	Plastic and articles	0.2	0.3	0.6	0.9	5.4	2.7	1.4	0.9
85	Electrical machinery and equipment	0.2	0.4	0.2	0.3	5.1	2.5	1.0	0.6
09	Coffee, tea and spices	0.2	0.3	0.1	0.1	4.3	2.1	4.6	3.0
90	Optical, photographic, medical or surgical instruments	1.1	2.0	6.1	10.0	3.7	1.8	2.8	1.8
38	Miscellaneous chemical products	0.3	0.6	1.0	1.6	2.4	1.2	2.0	1.3

Source: DGCIS, MOCI, GOI

Table 5.5: India's Major Imports from Uzbekistan, 2009-10 to 2019-20

HS Code	Commodity	2009-10		2010-11		2018-19		2019-20 (Apr-Jan)	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share
	Imports from Uzbekistan	**30.0**	**100.0**	**20.6**	**100.0**	**126.7**	**100.0**	**63.8**	**100.0**
71	Pearls, precious and semi-precious stones and metals	0.04	0.1	-	-	121.6	96.0	51.7	81.1
07	Edible vegetables, roots and tubers	9.5	31.6	2.0	9.7	1.8	1.4	0.9	1.4
13	Lac, gums, resins, vegetable saps and extracts	1.4	4.8	2.1	10.4	1.2	1.0	0.9	1.3
79	Zinc and articles	8.7	29.1	-	-	0.6	0.5	7.3	11.4
30	Pharmaceutical products	-	-	-	-	0.4	0.3	0.04	0.1
84	Machinery and mechanical appliances	-	-	-	-	0.3	0.2	-	-
50	Silk	1.3	4.3	2.9	14.0	0.2	0.2	1.4	2.2

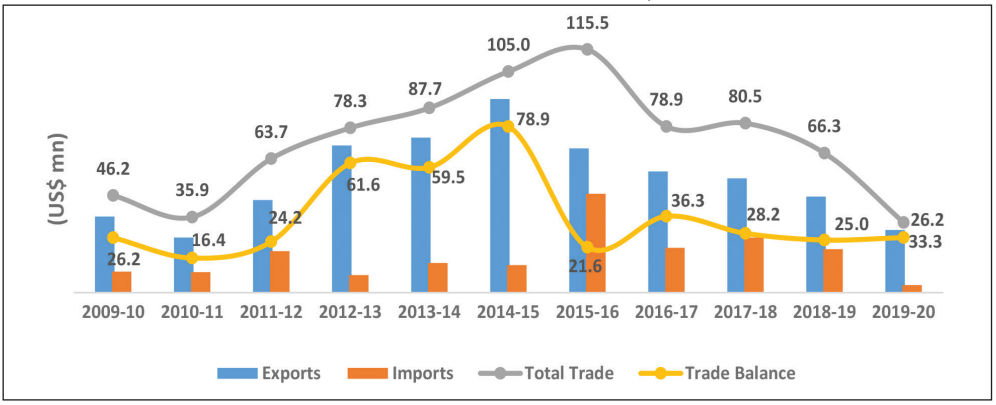
Note: '-' denotes not available or negligible
Source: DGCIS, MOCI, GOI

Similarly, India's imports from Uzbekistan increased over four-fold from US$ 30 million to US$ 126.7 million during 2018-19. Pearls, precious and semi-precious stones and metals (mostly gold) is the largest imported commodity from Uzbekistan during 2018-19, accounting for 96 percent of India's total imports. Other imports from Uzbekistan include edible vegetables, roots and tubers; lac, gums, resins, vegetable saps and extracts and zinc and articles **(Table 5.5)**.

TURKMENISTAN

India's total trade with Turkmenistan had been increasing steadily from US$ 46.2 million in 2009-10 till 2015-16 to touch US$ 115.5 million, thereafter witnessing a continuous decline to touch US$ 66.3 million in 2018-19 **(Chart 5.4)**. India has been maintaining a steady trade surplus with Turkmenistan on account of limited imports from the country. India's exports to Turkmenistan has increased moderately from US$ 36.2 million in 2009-10 to US$ 45.6 million in 2018-19, while India's imports from the country more than doubled to US$ 20.6 million in 2018-19 from US$ 10 million in 2009-10.

Chart 5.4: India's Trade with Turkmenistan, 2009-10 to 2019-20



Note: 2019-20 pertains to April-January data
Source: DGCIS, MOCI, GOI

India's export basket to Turkmenistan is dominated by pharmaceuticals and meat and edible meat offal, together accounting for 70.8 percent of the total exports to Turkmenistan in 2018-19 **(Table 5.6)**. Other exports to Turkmenistan include machinery and mechanical appliances; organic chemicals and sugar and sugar confectionery.

Table 5.6: India's Major Exports to Turkmenistan, 2009-10 to 2019-20

HS Code	Commodity	2009-10		2010-11		2018-19		2019-20 (Apr-Jan)	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share
	Exports to Turkmenistan	**36.2**	**100.0**	**26.2**	**100.0**	**45.6**	**100.0**	**29.7**	**100.0**
30	Pharmaceutical products	9.3	25.8	8.7	33.3	17.2	37.6	17.5	58.8
02	Meat and edible meat offal	1.1	3.1	0.7	2.5	15.2	33.2	1.9	6.4
84	Machinery and mechanical appliances	7.3	20.2	4.5	17.1	2.5	5.5	2.5	8.5
29	Organic Chemicals	0.2	0.5	0.3	1.1	2.2	4.9	1.2	4.0
17	Sugar and sugar confectionery	0.0	0.1	0.5	1.8	1.8	4.0	2.3	7.7
40	Rubber and articles	0.4	1.2	0.6	2.4	0.9	2.0	0.9	3.0
32	Tanning or dyeing extracts	-	-	-	-	0.9	1.9	-	-
61	Articles of apparel and clothing accessories, knitted or crocheted	-	-	-	-	0.8	1.8	-	-
85	Electrical machinery and equipment	9.5	26.2	0.4	1.7	0.7	1.6	0.6	1.9

Note: '-' denotes not available or negligible
Source: DGCIS, MOCI, GOI

Table 5.7: India's Major Imports from Turkmenistan, 2009-10 to 2019-20

HS Code	Commodity	2009-10		2010-11		2018-19		2019-20 (Apr-Jan)	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share
	Imports from Turkmenistan	**10.0**	**100.0**	**9.7**	**100.0**	**20.6**	**100.0**	**3.6**	**100.0**
31	Fertilisers	-	-	-	-	15.9	77.2	-	-
25	Salt, sulphur, stone, lime and cement	-	-	-	-	1.7	8.2	1.6	44.5
28	Inorganic chemicals	5.5	54.6	5.3	54.7	1.5	7.4	1.4	39.2
52	Cotton	2.7	26.8	4.2	43.2	1.3	6.4	0.4	11.8

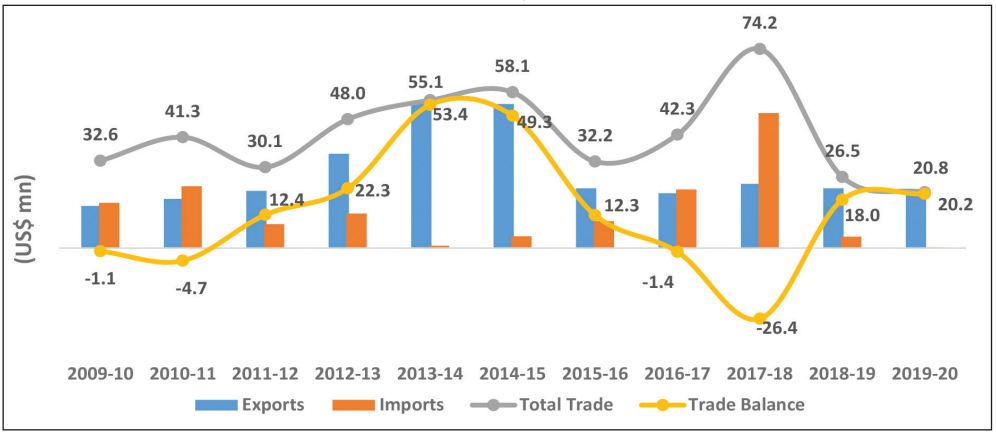
Note: '-' denotes not available or negligible
Source: DGCIS, MOCI, GOI

Fertilisers alone accounted for 77.2 percent of India's total imports from Turkmenistan during 2018-19. Other major imports from the country during the same year include salt, sulphur, stone, lime and cement; inorganic chemicals and cotton **(Table 5.7)**.

TAJIKISTAN

India's total trade with Tajikistan witnessed a sharp decline in 2018-19 owing to lower imports from the country. Total trade between both countries reached US$ 74.2 million in 2017-18, from US$ 32.6 million in 2009-10, decreasing thereafter to US$ 26.5 million in 2018-19. India's exports to Tajikistan witnessed an increase from US$ 15.7 million in 2009-10 to US$ 22.3 million in 2018-19. On the other hand, imports from Tajikistan which increased three-folds from US$ 16.9 million in 2009-10 to US$ 50.3 million in 2017-18 owing to sharp rise in imports of aluminium and articles, thereafter witnessed a decline during 2018-19 to US$ 4.2 million. The moderation in imports was essentially due to a drop in imports of aluminium and articles. Moreover, as a result of this decline in imports, India witnessed a trade surplus of US$ 18 million with Tajikistan compared to a deficit of US$ 1.1 million during 2009-10 **(Chart 5.5)**.

Chart 5.5: India's Trade with Tajikistan, 2009-10 to 2019-20



Note: 2019-20 pertains to April-January data
Source: DGCIS, MOCI, GOI

Pharmaceuticals were the largest export item to Tajikistan with exports amounting to US$ 13.9 million during 2018-19, followed by electrical machinery and equipment; coffee, tea and spices and machinery and instruments **(Table 5.8)**.

Ores, slag and ash was the major imported item from Tajikistan in 2018-19, replacing aluminium and articles and accounting almost entirety of Indian imports from the country **(Table 5.9)**.

Table 5.8: India's Major Exports to Tajikistan, 2009-10 to 2019-20

HS Code	Commodity	2009-10		2010-11		2018-19		2019-20 (Apr-Jan)	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share
	Exports to Tajikistan	**15.7**	**100.0**	**18.3**	**100.0**	**22.3**	**100.0**	**20.5**	**100.0**
30	Pharmaceutical products	7.4	47.2	7.5	41.2	13.9	62.5	16.2	79.0
85	Electrical machinery and equipment	0.1	0.4	0.8	4.1	3.0	13.6	0.1	0.5
09	Coffee, tea and spices	0.1	0.6	0.3	1.5	1.9	8.3	1.1	5.5
84	Machinery and mechanical appliances	0.1	0.4	3.1	17.1	1.4	6.5	0.02	0.1
90	Optical, photographic, medical or surgical instruments	0.1	0.3	0.1	0.4	0.6	2.6	0.3	1.7
54	Man-made filaments	0.02	0.1	0.03	0.2	0.3	1.2	0.03	0.1

Source: DGCIS, MOCI, GOI

Table 5.9: India's Major Imports from Tajikistan, 2009-10 to 2019-20

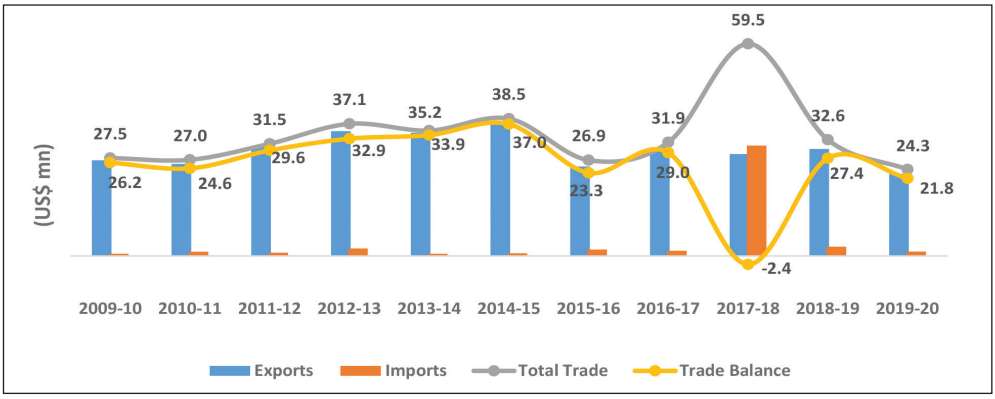
HS Code	Commodity	2009-10		2010-11		2018-19		2019-20 (Apr-Jan)	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share
	Imports from Tajikistan	**16.9**	**100.0**	**23.0**	**100.0**	**4.2**	**100.0**	**0.3**	**100.0**
26	Ores, slag and ash	-	-	-	-	4.2	99.5	-	-
08	Edible fruits and nuts	-	-	0.1	0.2	0.02	0.5	-	-
76	Aluminium and articles	16.2	96.4	22.4	97.5	-	-	-	-
13	Lac, gums, resins, vegetable saps and extracts	0.04	0.2	0.4	1.5	-	-	-	-
28	Inorganic chemicals	-	-	-	-	-	-	0.3	100.0

Note: '-' denotes not available or negligible
Source: DGCIS, MOCI, GOI

KYRGYZSTAN

India's trade with Kyrgyzstan remained more or less stable in the last decade. India's total trade with Kyrgyzstan reached a high of US$ 59.5 million in 2017-18 from US$ 27.5 million in 2009-10, moderating thereafter to US$ 32.6 million in 2018-19. India's exports to the country marginally increased to US$ 30 million in 2018-19 from US$ 26.8 million in 2009-10. Except in 2017-18, India's imports from Kyrgyzstan were to the tune of less than US$ 2 million. During 2017-18, India imported around US$ 30.9 million worth goods from the country, most of which include crude oil. India maintains a high trade surplus with Kyrgyzstan on account of modest imports, except in 2017-18 **(Chart 5.6)**.

Chart 5.6: India's Trade with Kyrgyzstan, 2009-10 to 2019-20



Note: 2019-20 pertains to April-January data
Source: DGCIS, MOCI, GOI

India's exports to Kyrgyzstan primarily constitute articles of apparel and clothing accessories, not knitted or crocheted and pharmaceuticals, which collectively accounted for 57.6 percent of India's exports to Kyrgyzstan during 2018-19. Other key exports include articles of apparel and clothing accessories, knitted or crocheted; coffee, tea and spices and articles of leather **(Table 5.10)**.

Edible vegetables, roots and tubers accounted for around 85 percent of India's total imports from Kyrgyzstan in 2018-19 **(Table 5.11)**. Other imported items from the country include edible fruit and nuts; lac, gums, resins, vegetable saps and extracts; electrical machinery and equipment and raw hides and leather.

Table 5.10: India's Major Exports to Kyrgyzstan, 2009-10 to 2019-20

HS Code	Commodity	2009-10		2010-11		2018-19		2019-20 (Apr-Jan)	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share
	Exports to Kyrgyzstan	**26.8**	**100.0**	**25.8**	**100.0**	**30.0**	**100.0**	**23.0**	**100.0**
24	Articles of apparel and clothing accessories, not knitted or crocheted	3.3	12.3	4.3	16.7	8.7	28.8	6.5	28.3
25	Pharmaceutical products	4.4	16.3	5.1	19.8	8.6	28.8	8.5	36.8
27	Articles of apparel and clothing accessories, knitted or crocheted	12.0	44.6	9.1	35.3	6.8	22.8	2.7	11.8
09	Coffee, tea and spices	0.4	1.5	1.2	4.7	1.2	4.0	1.0	4.4
29	Articles of leather, saddlery and harness	1.5	5.5	0.8	3.1	1.0	3.3	0.3	1.3
30	Printed books, newspapers, and pictures	-	-	-	-	0.6	2.0	1.0	4.4
32	Essential oils and resinoids	0.3	1.1	0.2	0.7	0.6	1.9	0.3	1.4
33	Optical, photographic, medical or surgical instruments	0.2	0.6	0.1	0.3	0.5	1.8	0.6	2.5
34	Electrical machinery and equipment	1.2	4.3	2.1	8.1	0.4	1.3	-	-

Note: '-' denotes not available or negligible
Source: DGCIS, MOCI, GOI

Table 5.11: India's Major Imports from Kyrgyzstan, 2009-10 to 2019-20

HS Code	Commodity	2009-10		2010-2011		2018-2019		2019-2020 (Apr-Jan)	
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share	Value (US$ mn)	% Share
	Imports from Kyrgyzstan	**0.6**	**100.0**	**1.2**	**100.0**	**2.6**	**100.0**	**1.2**	**100.0**
07	Edible vegetables and certain roots and tubers	-	-	-	-	2.2	84.9	0.5	37.1
08	Edible fruit and nuts	-	-	-	-	0.3	10.0	0.1	6.5
13	Lac, gums, resins, vegetable saps and extracts	-	-	-	-	0.1	2.3	0.3	20.2
85	Electrical machinery and equipment	-	-	0.01	0.8	0.1	1.9	0.1	4.0
41	Raw hides and leather	0.6	92.2	0.6	46.7	-	-	0.02	1.6

Note: '-' denotes not available or negligible
Source: DGCIS, MOCI, GOI

With India and CARs not sharing a physical border, expansion of trade and strategic ties has been difficult and expensive. Absence of direct surface transportation routes has been a major impediment in enhancing economic and trade relations between India and CARs. The recent steps taken by countries such as Kazakhstan and Turkmenistan in Central Asia and Russia to increase road and rail connectivity, besides the development of the International North South Transport Corridor could play an important role in further enhancing bilateral trade between India and CARs.

TRENDS IN INDIA- CENTRAL ASIA INVESTMENT FLOWS

Along with India's increasing exports to CARs, an important development has been improvements in bilateral commercial relations, resulting in India's increased overseas investments to countries in the region. Flow of bilateral investments between India and CARs have, however, remained modest over the years. According to the data from the RBI and the Ministry of Finance, GOI, the cumulative Indian Investments in JVs and WOS in CARs during the period April 1996 to March 2019, amounted to US$ 318.8 million **(Table 5.12)**. Among CARs, Kazakhstan has emerged as an important destination for India's overseas investment, with total approved investment in the country amounting to US$ 263.2 million during the same period (82.6 percent of India's investments in the region). Uzbekistan also attracted sizeable Indian investments, accounting for 10 percent of India's total investments, followed by Kyrgyzstan (4.7 percent). CARs accounted for a marginal 0.1 percent of India's total FDI outflows during April 1996 to March 2019.

To get a more meaningful understanding on the trends in Indian overseas investments, this study has drawn upon the real time data collated by fDi Markets. According to fDi Markets database, India has emerged as the 14th largest investor in CARs during 2009 to 2019, with an investment of US$ 1.53 billion covering 13 FDI projects executed by 11 Indian companies, resulting in creation of around 4,029 jobs. India accounted for a marginal 1.2 percent of total investments made in the region during this period.

Table 5.12: Country wise Indian Direct Investments in JVs and WOS in CARs

(US$ million)

Country	April 1996 to March 2009	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	April 1996 to March 2019
Kazakhstan	163.2	-	-	2.5	0.9	0.1	0.3	1.6	7.3	85.9	1.5	**263.2**
Kyrgyzstan	14.3	0.3	-	0.2	0.3	-	-	-	-	-		**15.1**
Tajikistan	6.0	1.9	0.6	-	-	0.5	-	-	-	-	0.1	**9.0**
Uzbekistan	30.7	0.1	0.3	0.2	0.04	-	-	-	-	0.002	0.1	**31.5**
Total CARs	**214.2**	**2.3**	**0.9**	**2.9**	**1.2**	**0.6**	**0.3**	**1.6**	**7.3**	**85.9**	**1.7**	**318.8**

Note: '-' denotes not available/negligible
Source: Ministry of Finance, GOI and RBI

Table 5.13: Envisaged Indian Investments in CARs, 2009-2019

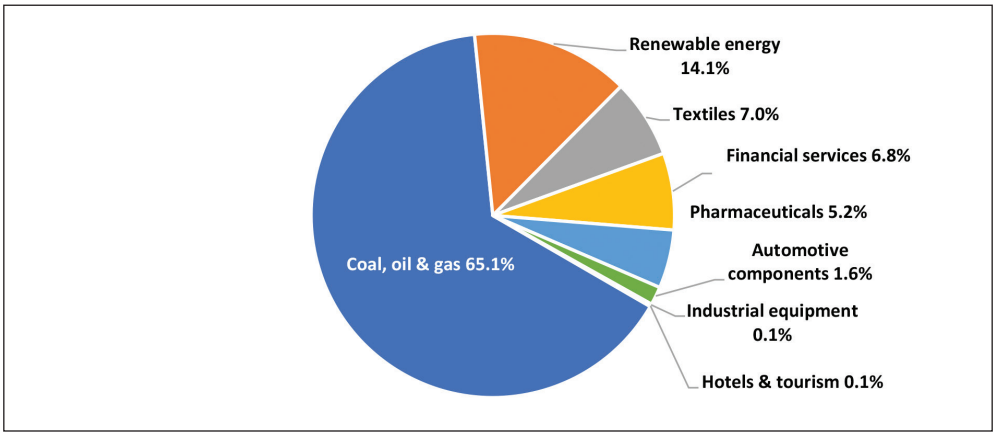
(US$ million)

Country	2009	2011	2012	2015	2016	2018	2019	Total	No. of Projects	No. of Indian Companies	No. of Jobs Created
Kazakhstan	36.6	69.6		996.1	1.7	129.0	-	1233.0	8	6	2,332
Tajikistan	-	-	215.4	-	-	-	-	215.4	1	1	20
Uzbekistan	25.0	-		2.6	-	5.0	50.0	82.6	4	4	1,677
Total CARs	**61.6**	**69.6**	**215.4**	**998.7**	**1.7**	**134.0**	**50.0**	**1531.0**	**13**	**11**	**4,029**

Note: '-' denotes nil or negligible
Source: fDi Markets online database

Kazakhstan accounted for 80.5 percent Indian investments to CARs during 2009-2019, followed by Tajikistan (14.1 percent) and Uzbekistan (5.4 percent) **(Table 5.13)**. According to fDi Markets database, no Indian investments were recorded in case of Kyrgyzstan and Turkmenistan. Moreover, no Indian investments were recorded during 2010, 2013, 2014 and 2017 in any of CARs.

Chart 5.7: Major Sectors Attracting Indian Investments in CARs during 2009-2019



Source: fDi Markets online database

Coal, oil and gas sector received the highest Indian investment in CARs during 2009-2019, amounting to US$ 996.1 million, followed by renewable energy (US$ 215.4 million), textiles (US$ 107.2 million), financial services (US$ 104.4 million), pharmaceuticals (US$ 79.5 million) and automotive components (US$ 25 million) during this period. **Chart 5.7** shows the major sectors attracting Indian investments in the region along with their respective shares during the same period.

KAZAKHSTAN

During 2009 to 2019, Kazakhstan has received Indian investments amounting to US$ 1.23 billion covering 8 FDI projects executed by 6 Indian companies, and creating around 2,332 jobs in the country. The sectors receiving highest Indian investments in Kazakhstan during 2009-2019 include coal, oil and gas (US$ 996 million), textiles (US$ 107 million), financial services (US$ 104 million) and pharmaceuticals (US$ 21.9 million) as shown in **Chart 5.8**.

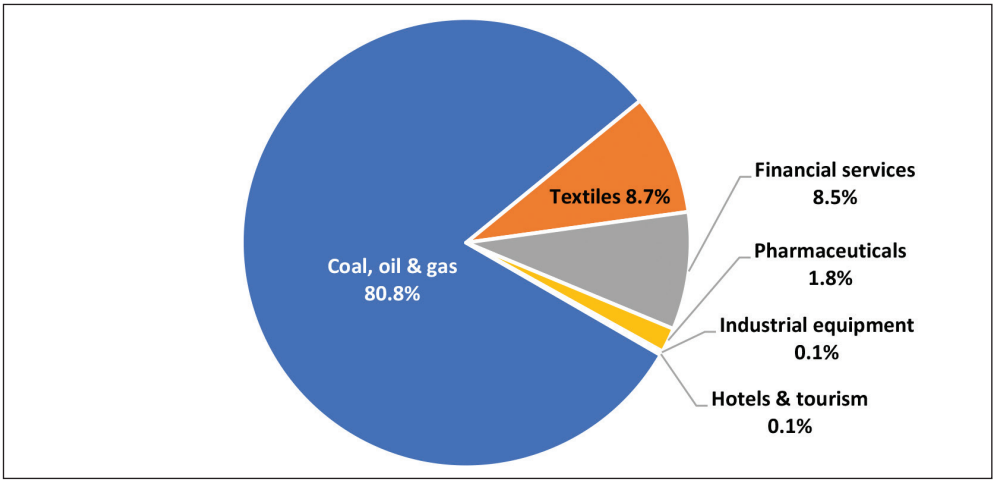
TAJIKISTAN

Tajikistan received a total of US$ 215.4 million of envisaged capital investment from India during 2009-2019, executed by Bharat Heavy Electricals (BHEL) in a renewable energy project (hydroelectric power generation).

UZBEKISTAN

Uzbekistan received US$ 82.6 million Indian investments covering four FDI projects during 2009 to 2019, and has created around 1,677 jobs in the country. Three Indian companies viz. Bravo Pharma, Cadila Pharmaceuticals and Kusum Health Care made investments in pharmaceutical sector and one Indian company, namely Ashok Minda group invested in manufacturing of automotive components sector.

Chart 5.8: Major Sectors Attracting Indian Investments in Kazakhstan during 2009-2019



Source: fDi Markets online database

FDI Inflows into India from Central Asian Republics

FDI inflows into India from CARs have been extremely modest. According to Department for Promotion of Industry and Internal Trade (DPIIT), MOCI, GOI, during April 2000 to December 2019, Kazakhstan and Tajikistan are the only Central Asian Republics to have invested in India, with an amount of US$ 26.94 million and US$ 1.37 million, respectively.

Connect Central Asia

The Government of India announced a new policy initiative for the Central Asian region known as the 'Connect Central Asia' initiative during the first India-Central Asia Dialogue taken place under the joint aegis of the Indian Council for World Affairs (ICWA) and the World Diplomatic Academy, held in Bishkek in 2012. This programme highlights a 12-point formula which includes several guidelines on enhancing the strategic relationship between India and the region. Some of these include stepping up multilateral engagement with Central Asian partners using the synergy of joint efforts through existing fora like the Shanghai Cooperation Organisastion (SCO), the Eurasian Economic Community (EEC) and the Customs Union; and harnessing Central Asia's energy, agriculture and natural resource potential.

EXPORT-IMPORT BANK OF INDIA IN CENTRAL ASIAN REPUBLICS

As the apex financial institution in India for financing, promoting and facilitating India's international trade and investments, Export-Import Bank of India (Exim India)'s vision has evolved from promotion of trade and investment to a conscious and systematic effort at creating export capabilities. Since Exim India commenced operations in 1982, the developing and least developed countries have always been a focus area, and thus formed a critical component of Exim India's strategy to promote and support South-South cooperation, trade and investment. Exim India's commitment towards building relationships and fostering cooperation among these countries is reflected in the various activities and programmes the Bank has set in place.

Financing Programmes

Lines of Credit

Exim India extends and operates GOI-supported Lines of Credit (LOC) to governments, parastatal organisations, financial institutions, commercial banks and regional development banks to support export of eligible goods and services on deferred payment terms. Among CARs, Exim India has extended two LOCs of US$ 240 million to the Government of Uzbekistan for housing and social infrastructure projects and financing procurement of defence equipment. Besides, Exim India had earlier extended a commercial LOC of US$ 10 million to the National Bank of Uzbekistan for general purpose utilisation towards assisting the host country in its development endeavours.

Support for Project Exports

Exim India extends both funded and non-funded facilities to Indian project exporters for overseas industrial turnkey projects, civil construction contracts, supplies as well as technical and consultancy services contracts. Indian project exporters have secured project export contracts comprising infrastructure development and power generation and transmission projects in Kazakhstan and Turkmenistan.

Finance for Joint Ventures

With a view to support Indian companies in their endeavour to globalise their operations, Exim India operates a programme to support overseas investments by Indian companies through JVs and WOS. Such supports include loans and guarantees, equity finance and in select cases direct participation in equity along with Indian promoter, to set up such ventures overseas. Exim India has supported

Indian companies such as Ajanta Pharma Limited, Core Healthcare Limited, Punj Lloyd Limited and CJSC CHL International towards setting up joint ventures in Uzbekistan, Kazakhstan and Tajikistan in pharmaceuticals, healthcare services, construction, hotel and hospitality, and tourism sectors, among others with a sanctioned amount of ₹ 232.42 crores.

Institutional Linkages

Further, with a view to identifying opportunities and fostering conducive environment for enhancing bilateral trade and investment relations with countries in the region, Exim India has signed Memoranda of Understanding with institutions in the region such as UZBEKINVEST– National Export-Import Insurance Company and National Bank for Foreign Economic Activity in Uzbekistan; and the Investment Promotion and Protection Agency of Kyrgyzstan.

Representative Office

Exim India has a representative office in Dubai, which seeks to establish and maintain relationships with multilateral agencies, regional development institutions, trade and investment promotion bodies, international banks, chambers of commerce, government departments and institutions and identify areas of cooperation in the region, along with that in other countries in West Asia. The representative office also plays a role in facilitating India's economic cooperation with CARs, while keeping close coordination with Indian Missions in the region. The office projects Bank's capabilities in financing India's international trade and investment, as also keeps the Bank abreast of the developments in the economic/ banking/ financial sectors of the region.

6. POTENTIAL FOR ENHANCING INDIA'S TRADE AND INVESTMENT RELATIONS WITH CENTRAL ASIAN REPUBLICS

There are natural synergies for greater economic cooperation between India and CARs in diverse sectors including agriculture and allied activities, food processing, pharmaceutical, textiles and garments, mining and metallurgy, automotive and chemicals. Given the bilateral complementarities exiting between India and CARs, there also exist mutually rewarding opportunities and potential in areas such as mineral processing, infrastructure development, construction and hydrocarbon sectors.

This chapter endeavours to further identify products and sectors where potential exists to enhance bilateral commercial relations with countries in the region based on India's export and investment potential and demand existing in CARs.

IDENTIFICATION OF POTENTIAL COMMODITIES

Certain criteria were considered to identify the commodities with potential for exports from India to CARs, which include:

- Analysis of the import basket composition of CARs and matching with India's export capability (based on HS code).
- Selection of potential export items, based on low share of India in CARs' import basket of major commodities, keeping in view India's global export capabilities. This would entail identification of potential export items under each product category, up to 6-digit commodity code.

Export Potential In Central Asian Republics

KAZAKHSTAN

Kazakhstan is India's leading market among CARs, accounting for 32.3 percent of India's total exports to and 82 percent of total imports from the region. However, potential exists to further enhance India's exports, based on the import demand in Kazakhstan and India's export capability. **Table 6.1** presents Kazakhstan's major import items, in terms of 2 digit HS code, and India's share in Kazakhstan's global imports of these items. As may be seen from the table, India has not

achieved a healthy share in any of Kazakhstan's global imports during 2018. India's share in Kazakhstan's global imports of all major items is marginal, which would serve to highlight the potential to further enhance these exports to Kazakhstan, in line with the huge import demand in Kazakhstan. At the same time some of these items are also amongst India's leading global export items, which highlight India's export capability.

The potential export items from India to Kazakhstan would thus include, among others, machinery; electrical and electronic equipment; articles of iron or steel; vehicles other than railway or tramway; petroleum products; plastics and articles; pharmaceuticals; iron and steel; optical, photographic, medical or surgical instruments; ores, slag and ash; chemical products and rubber and articles.

Table 6.1: Kazakhstan's Major Global Imports and India's Share, 2018

HS Code	Product label	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's Share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
	All products	**32533.5**	**138.7**	**0.4**	**323056.4**
84	Machinery and mechanical appliances	5193.4	16.2	0.3	20403.9
85	Electrical machinery and equipment	3845.5	15.1	0.4	11788.0
73	Articles of iron or steel	2187.6	1.0	0.04	7082.9
87	Vehicles other than railway or tramway	2037.9	4.7	0.2	18238.9
27	Mineral fuels, oils and products of distillation	1743.8	-	-	48293.2
39	Plastics and articles	1241.5	1.4	0.1	7844.0
30	Pharmaceutical products	1177.9	46.8	4.0	14277.2
72	Iron and steel	1125.3	-	-	9975.5
90	Optical, photographic, medical or surgical instruments	880.3	3.2	0.4	3204.6
26	Ores, slag and ash	755.5	-	-	1650.8
38	Miscellaneous chemical products	565.0	1.0	0.2	4412.7
40	Rubber and articles	545.6	1.0	0.2	3159.8
88	Aircraft, spacecraft, and parts	541.1	-	-	2059.3
94	Furniture, bedding, mattresses and stuffed furnishings	527.6	-	-	1655.8
08	Edible fruit and nuts	504.4	-	-	1550.8
48	Paper and paperboard	451.8	0.2	0.04	1819.3
28	Inorganic chemicals	402.5	0.1	0.03	2032.7
86	Railway or tramway locomotives, rolling stock and parts	398.1	-	-	507.7

HS Code	Product label	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's Share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
33	Essential oils and resinoids	363.7	1.2	0.3	1933.7
44	Wood and articles of wood	358.1	-	-	432.9
69	Ceramic products	324.6	1.5	0.5	1511.6
64	Footwear, gaiters and articles	293.6	0.5	0.2	2846.3
19	Preparations of cereals, flour, starch or milk	280.7	-	-	521.2
62	Articles of apparel and clothing accessories, not knitted or crocheted	274.7	1.4	0.5	8126.0
76	Aluminium and articles	272.3	0.01	0.003	5126.7

Note: '–' denotes not available/negligible

Source: ITC Trade Map

Machinery and mechanical appliances (HS-84) - These items are Kazakhstan's major imports, amounting to US$ 5.2 billion in 2018, and accounting for around 16 percent of Kazakhstan's total imports. Kazakhstan's imports of these items from India stood at US$ 16.2 million in 2018, with a share of 0.3 percent in Kazakhstan's imports from the world, highlighting the tremendous scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, is given in **Table 6.2**.

Electrical and electronic equipment (HS-85) – Imports of these items amount to US$ 3.8 billion in 2018, accounting for 11.8 percent of Kazakhstan's total imports. Kazakhstan's imports of these items from India stood at US$ 15.1 million in 2018, accounting for 0.4 percent of its global imports. India is also a major global exporter of the product. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.3**.

Articles of iron or steel (HS-73) - These items are also among Kazakhstan's major imports, amounting to US$ 2.2 billion in 2018. Kazakhstan's imports of these items from India stood at a meager US$ 1 million, with a share of 0.04 percent in Kazakhstan's global imports of the same. During the same year, India's global exports of articles of iron and steel amounted to US$ 7.1 billion, highlighting the tremendous scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.4**.

Table 6.2: Machinery and mechanical appliances (HS-84) – Potential Commodities for Exports to Kazakhstan

HS Code	Product label	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's Share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
848180	Appliances for pipes, boiler shells, tanks, vats or the like	489.0	1.2	0.2	774.5
842952	Self-propelled mechanical shovels, excavators and shovel loaders	134.0	0.1	0.1	221.2
847989	Machines and mechanical appliances	94.5	0.1	0.1	348.6
847490	Parts of machinery for working mineral substances of heading 8474	89.0	2.5	2.8	235.4
841370	Centrifugal pumps, power-driven (excluding those of subheading 8413.11 and 8413.19	85.1	0.2	0.2	226.0
841112	Turbojets of a thrust > 25 kN	75.9	-	-	3174.2
843149	Parts of machinery of heading 8426, 8429 and 8430	74.1	0.02	0.02	417.8
843041	Self-propelled boring or sinking machinery for boring earth or extracting minerals or ores	73.8	2.7	3.7	109.0
841480	Air pumps, air or other gas compressors and ventilating or recycling hoods	66.5	0.1	0.1	302.6
840734	Spark-ignition reciprocating piston engine of a kind used for vehicles of chapter 87	62.7	-	-	166.8
842139	Machinery and apparatus for filtering or purifying gases (excluding isotope separators)	53.5	0.6	1.2	132.2
840999	Parts suitable for use solely or principally with compression-ignition	51.8	0.01	0.01	817.8
847420	Crushing or grinding machines for solid mineral substances	50.8	0.6	1.2	104.8
841391	Parts of pumps for liquids	49.3	0.02	0.03	357.2

Note: '–' denotes not available/negligible

Source: ITC Trade Map

Table 6.3: Electrical and electronic equipment (HS-85) – Potential Commodities for Exports to Kazakhstan

HS Code	Product label	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's Share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	642.5	8.72	1.36	1065.2
850300	Parts suitable for use solely or principally with electric motors and generators	395.6	0.19	0.05	476.5
853710	Boards, cabinets and similar combinations of apparatus for electric control	208.2	0.03	0.02	374.6
851762	Machines for the reception, conversion and transmission or regeneration of voice, or images	199.0	-	-	628.0
853720	Boards, cabinets and similar combinations of apparatus for electric control or distribution	184.1	0.01	0.005	140.1
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors	162.5	0.003	0.002	209.1
854511	Electrodes of graphite or other carbon, for electric furnaces	119.7	-	-	1065.0
850440	Static converters	112.3	3.3	2.9	735.1
854140	Photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled	87.0	-	-	114.5
854460	Electric conductors, for a voltage > 1.000 V, insulated	61.9	0.05	0.1	227.3
850213	Generating sets with compression-ignition internal combustion piston engine "diesel or semi-diesel	37.8	-	-	113.7
852990	Parts suitable for use solely or principally with transmission and reception apparatus	36.9	0.002	0.01	92.8
851770	Parts of telephone sets, telephones for cellular networks or for other wireless networks	34.2	-	-	232.3
850423	Liquid dielectric transformers, having a power handling capacity > 10.000 kVA	31.8	-	-	149.4
853890	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537	24.9	0.003	0.01	478.7

Note: '–' denotes not available/negligible

Source: ITC Trade Map

Table 6.4: Articles of iron or steel (HS-73) – Potential Commodities for Exports to Kazakhstan

HS Code	Product label	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's Share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
730890	Structures and parts of structures, of iron or steel (excluding bridges and bridge-sections)	431.5	0.001	-	483.5
732690	Articles of iron or steel (excluding cast articles or articles of iron or steel wire)	306.0	0.3	0.1	762.6
730630	Tubes, pipes and hollow profiles, welded, of circular cross-section, of iron or non-alloy steel	59.0	-	-	258.4
730799	Tube or pipe fittings, of iron or steel (excluding cast iron or stainless steel products; flanges)	48.5	0.01	0.02	101.5
731815	Threaded screws and bolts, of iron or steel, whether or not with their nuts and washers	48.3	0.1	0.2	293.2

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Vehicles other than railway or tramway (HS-87) – Kazakhstan's imports of these items amounted to US$ 2 billion in 2018, while imports from India amounted to a meager US$ 4.7 million. India's global exports of transport vehicles during 2018 on the other hand, amounted to US$ 18.2 billion, highlighting the tremendous scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.5**.

Table 6.5: Vehicles other than railway or tramway (HS-87) – Potential Commodities for Exports to Kazakhstan

HS Code	Product label	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's Share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
870323	Motor cars and other motor vehicles principally designed for the transport of persons	405.2	-	-	1939.3
870410	Dumpers for off-highway use	142.7	4.7	3.3	505.5
870423	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston	124.7	-	-	182.9
870210	Motor vehicles for the transport of >= 10 persons, incl. driver, with compression-ignition	95.0	-	-	169.7
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons	87.8	0.003	0.003	2763.1

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Petroleum products (HS-27) – Kazakhstan's imports of petroleum products amounted to US$ 1.7 billion in 2018, accounting for 5.4 percent of Kazakhstan's total imports. However, Kazakhstan do not import any of these items from India. With India's exports of petroleum products amounting to US$ 48.3 billion in 2018, there is tremendous scope for exports of these items to Kazakhstan. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.6**.

Table 6.6: Petroleum products (HS-27) – Potential Commodities for Exports to Kazakhstan

HS Code	Product label	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's Share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	572.0	0.003	0.001	32004.6
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume	232.8	-	-	14741.0

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Plastics and articles (HS-39) – While Kazakhstan imported plastics and articles amounting to US$ 1.2 billion in 2018, India's exports of the same recorded US$ 7.8 billion. Kazakhstan's imports from India, however, accounted for only 0.1 percent of its global imports of the product. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.7**.

Pharmaceutical products (HS-30) - Kazakhstan's imports of these items amounted to US$ 1.2 billion in 2018, while imports of these items from India amounted to US$ 46.8 million, accounting for 4 percent of its global imports. India's global exports of pharmaceuticals during 2018 on the other hand amounted to US$ 14.3 billion, highlighting the tremendous scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.8**.

Table 6.7: Plastics and articles (HS-39) – Potential Commodities for Exports to Kazakhstan

HS Code	Product label	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's Share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
390120	Polyethylene with a specific gravity of >= 0,94, in primary forms	154.9	-	-	369.9
392690	Articles of plastics and articles of other materials of heading 3901 to 3914	96.2	0.1	0.1	534.7
390761	Polyethylene terephthalate", in primary forms, having a viscosity number of >= 78 ml/g	45.7	-	-	1050.6
392190	Plates, sheets, film, foil and strip, of plastics, reinforced, laminated, supported	40.7	-	-	302.1
390110	Polyethylene with a specific gravity of < 0,94, in primary forms	40.1	0.003	0.01	791.6
390690	Acrylic polymers, in primary forms (excluding poly"methyl methacrylate")	38.2	0.1	0.3	94.0

Note: '–' denotes not available/negligible

Source: ITC Trade Map

Table 6.8: Pharmaceutical products (HS-30) – Potential Commodities for Exports to Kazakhstan

HS Code	Product label	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's Share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes	619.6	33.8	5.5	10743.0
300220	Vaccines for human medicine	88.6	1.9	2.2	667.7
300420	Medicaments containing antibiotics, put up in measured doses	65.3	8.1	12.4	1004.4
300215	Immunological products, put up in measured doses or in forms or packing's for retail sale	63.0	0.1	0.1	81.5
300439	Medicaments containing hormones or steroids used as hormones but not antibiotics	49.3	0.1	0.2	82.2

Source: ITC Trade Map

Iron and steel (HS-72) – Imports of iron and steel by Kazakhstan amounted to US$ 1.1 billion during 2018 as compared to India's corresponding exports of around US$ 10 billion. However, Kazakhstan do not import these items from

India, highlighting the immense scope for its exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.9**.

Table 6.9: Iron and steel (HS-72) – Potential Commodities for Exports to Kazakhstan

HS Code	Product label	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's Share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
721070	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled/ cold-rolled, products painted , varnished/ coated with plastics	69.2	-	-	82.8
720711	Semi-finished products of iron or non-alloy steel containing, by weight, < 0.25% of carbon	68.2	-	-	219.7
721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled	61.6	-	-	484.2

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Optical, photographic, medical or surgical instruments (HS-90) - Kazakhstan's imports of optical, photographic, medical or surgical instruments amounted to US$ 880.3 million in 2018, accounting for 2.7 percent of Kazakhstan's total imports. Kazakhstan's imports of these items from India stood at US$ 3.2 million in 2018, accounting for 0.4 percent of its global imports of the product. India is a major global exporter of the product. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.10**.

Table 6.10: Optical, photographic, medical or surgical instruments (HS-90) – Potential Commodities for Exports to Kazakhstan

HS Code	Product label	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's Share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
901890	Instruments and appliances used in medical, surgical or veterinary sciences	107.2	0.4	0.4	209.7
903180	Instruments, appliances and machines for measuring or checking	34.1	0.1	0.3	101.8
903289	Regulating or controlling instruments and apparatus (excluding hydraulic or pneumatic)	33.9	0.01	0.03	198.0
901839	Needles, catheters, cannulae and the like, used in medical, surgical, dental or veterinary	26.1	0.8	3.1	290.8

Source: ITC Trade Map

Ores, slag and ash (HS-26) – On a similar note, while ores, slag and ash appear among Kazakhstan's major imports, India do not export the product to Kazakhstan. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.11**.

Table 6.11: Ores, slag and ash (HS-26) – Potential Commodities for Exports to Kazakhstan

HS Code	Product label	Kazakhstan's Imports from World (US$ mn)	India's Exports to Kazakhstan (US$ mn)	India's Share in Kazakhstan's Global Imports (%)	India's Exports to World (US$ mn)
260300	Copper ores and concentrates	82.0	-	-	115.8
260112	Agglomerated iron ores and concentrates (excluding roasted iron pyrites)	10.8	-	-	885.4
261400	Titanium ores and concentrates	9.3	-	-	105.5

Note: '–' denotes not available/negligible
Source: ITC Trade Map

UZBEKISTAN

Uzbekistan accounts for 46 percent of India's total exports to CARs 2018. **Table 6.12** presents Uzbekistan's major import items, in terms of 2 digit HS code, and India's share in Uzbekistan's global imports of these items. India accounts for a relatively healthy share of 7.7 percent in Uzbekistan's global imports of pharmaceutical products and 4.4 percent of Uzbekistan's global imports of tanning or dyeing extracts during 2018. However, India's share in Uzbekistan's global imports of other major items is marginal with a share of less than 1.5 percent in most cases. Moreover, India enjoys a relatively robust export capability in most of these items which are among Uzbekistan's major imports. This would serve to highlight the existing potential to further enhance these exports to Uzbekistan, in line with the huge import demand in the country.

The potential export items from India to Uzbekistan would thus include, among others, machinery; transport vehicles; iron and steel; electrical and electronic equipment; petroleum products; articles of iron or steel; plastics and articles; sugars and sugar confectionery and cereals.

Table 6.12: Uzbekistan's Major Global Imports and India's Share, 2018

HS Code	Product label	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's Share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
	All products	**17314.0**	**193.3**	**1.1**	**323056.4**
84	Machinery and mechanical appliances	4478.1	63.8	1.4	20403.9
87	Vehicles other than railway or tramway	2032.8	20.3	1.0	18238.9
72	Iron and steel	1287.5	0.6	0.1	9975.5
85	Electrical machinery and equipment	895.2	4.0	0.4	11788.0
27	Mineral fuels, oils and products of distillation	879.5	0.02	-	48293.2
30	**Pharmaceutical products**	**852.1**	**65.5**	**7.7**	**14277.2**
44	Wood and articles of wood	621.1	0.002	-	432.9
73	Articles of iron or steel	601.5	1.0	0.2	7082.9
39	Plastics and articles	573.9	5.8	1.0	7844.0
17	Sugars and sugar confectionery	347.4	0.6	0.2	1164.7
10	Cereals	305.6	0.01	0.002	7773.9
90	Optical, photographic, medical or surgical instruments	292.4	3.3	1.1	3204.6
40	Rubber and articles	270.6	1.6	0.6	3159.8
94	Furniture, bedding, mattresses and stuffed furnishings	248.3	0.04	0.01	1655.8
25	Salt, sulphur, plastering materials, lime and cement	247.9	0.1	0.04	2252.6
15	Animal or vegetable fats and oils	238.2	0.1	0.1	1122.4
38	Miscellaneous chemical products	211.0	1.7	0.8	4412.7
48	Paper and paperboard	207.9	0.3	0.2	1819.3
88	Aircraft, spacecraft, and parts	193.3	-	-	2059.3
76	Aluminium and articles	169.8	0.1	0.1	5126.7
29	Organic chemicals	146.4	3.2	2.2	17742.5
26	Ores, slag and ash	135.8	-	-	1650.8
32	**Tanning or dyeing extracts**	**132.8**	**5.9**	**4.4**	**3230.7**
23	Residues and waste from the food industries	132.5	0.03	0.02	1667.6

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Machinery and mechanical appliances (HS-84) - These items are Uzbekistan's major imports, amounting to US$ 4.5 billion in 2018, and accounting for around 26 percent of Uzbekistan's total imports. Uzbekistan's imports of machinery from India stood at US$ 63.8 million in 2018, accounting for a meager share of 1.4 percent in Uzbekistan's global imports. India's global exports of machinery during the same year amounted to US$ 20.4 billion, highlighting the tremendous scope for enhancing India's exports of machinery to Uzbekistan. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.13**.

Table 6.13: Machinery and mechanical appliances (HS-84) - Potential Commodities for Exports to Uzbekistan

HS Code	Product label	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's Share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
842952	Self-propelled mechanical shovels, excavators and shovel loaders	198.3	-	-	221.2
847420	Crushing or grinding machines for solid mineral substances	151.0	2.5	1.7	104.8
841480	Air pumps, air or other gas compressors and ventilating or recycling hoods	128.4	-	-	302.6
848180	Appliances for pipes, boiler shells, tanks, vats	83.7	2.0	2.3	774.5
840991	Parts suitable for use solely or principally with spark-ignition internal combustion piston	77.9	0.5	0.6	288.7
847989	Machines and mechanical appliances	57.5	2.2	3.9	348.6
841950	Heat-exchange units	48.8	0.05	0.1	169.6
842230	Machinery for filling, closing, sealing or labelling bottles, cans, boxes, bags or other containers	44.4	0.3	0.8	106.4

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Vehicles other than railway or tramway (HS-87) - These items also form Uzbekistan's major imports, amounting to US$ 2 billion in 2018, and accounting for 11.7 percent of Uzbekistan's total imports. Uzbekistan's imports of these products from India, however, stood at US$ 20.3 million in 2018, with a modest share of 1 percent in Uzbekistan's corresponding global imports. India's exports of transport vehicles during 2018 amounted to US$ 18.2 billion, highlighting the immense scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.14**.

Table 6.14: Vehicles other than railway or tramway (HS-87) - Potential Commodities for Exports to Uzbekistan

HS Code	Product label	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's Share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons	834.2	1.8	0.2	2763.1
870323	Motor cars and other motor vehicles principally designed for the transport of persons	313.6	-	-	1939.3
870410	Dumpers for off-highway use	234.6	-	-	505.5
870600	Chassis fitted with engines, for tractors, motor vehicles for the transport of ten or more	123.5	14.0	11.4	483.3
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more	32.7	0.001	0.003	140.1
870193	Tractors, of an engine power > 37 kW but <= 75 kW (excl. those of heading 8709, pedestrian-controlled)	20.3	0.1	0.3	571.9

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Iron and steel (HS-72) – Imports of iron and steel into Uzbekistan amount to US$ 1.3 billion in 2018, accounting for 7.4 percent of Uzbekistan's total imports. Uzbekistan's imports of these items from India, however, stood at a modest US$ 0.6 million in 2018, with a marginal share of 0.1 percent in Uzbekistan's global imports of iron and steel. India's global exports of iron and steel amounted to almost US$ 10 billion in 2018. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.15**.

Table 6.15: Iron and steel (HS-72) - Potential Commodities for Exports to Uzbekistan

HS Code	Product label	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's Share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled, otherwise plated/coated with zinc	140.2	-	-	484.2
720310	Ferrous products obtained by direct reduction of iron ore, in lumps, pellets or similar forms	88.3	-	-	216.8
720711	Semi-finished products of iron or non-alloy steel containing, by weight, < 0.25% of carbon	82.4	-	-	219.7
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, of thickness < 3mm	76.8	-	-	825.6

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Electrical and electronic equipment (HS-85) – Uzbekistan's imports of electrical and electronic equipment amounted to US$ 895.2 million in 2018, accounting for 5.2 percent of the country's total imports. While India's global exports of these products amounted to US$ 11.8 billion during 2018, India's share in Uzbekistan's global imports of the product was only a marginal 0.4 percent. In light of the huge potential, export items under this category, based on 6-digit HS code, are given in **Table 6.16**.

Table 6.16: Electrical and electronic equipment (HS-85) - Potential Commodities for Exports to Uzbekistan

HS Code	Product label	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's Share Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution	83.8	0.1	0.1	374.6
851762	Machines for the reception, conversion and transmission or regeneration of voice, images	73.3	-	-	628.0
854511	Electrodes of graphite or other carbon, for electric furnaces	45.8	-	-	1065.0
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors	44.0	-	-	209.1
850423	Liquid dielectric transformers, having a power handling capacity > 10.000 kVA	33.6	-	-	149.4

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Petroleum products (HS-27) – Uzbekistan's import of petroleum products amounted to US$ 879.5 million in 2018, accounting for a share of 5.1 percent of its total imports during the year. While India exported petroleum products worth US$ 48.3 billion globally during 2018, India's share in Uzbekistan's global imports of the product accounted for only 0.002 percent. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.17**.

Table 6.17: Petroleum products (HS-27) - Potential Commodities for Exports to Uzbekistan

HS Code	Product label	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's Share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	416.0	0.02	0.005	32004.6
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume	82.9	-	-	14741.0
271600	Electrical energy	45.8	-	-	222.4
270119	Coal, whether or not pulverised, non-agglomerated (excluding anthracite and bituminous coal)	15.4	-	-	93.2

Note: '–' denotes not available/negligible

Source: ITC Trade Map

Articles of iron or steel (HS-73) – Uzbekistan's import of articles of iron or steel amounted to US$ 601.5 million during 2018, while India's global exports of the same product amounted to US$ 7.1 billion during the same year. However, India's share in Uzbekistan's imports of these products accounted for a marginal 0.2 percent in 2018, highlighting the scope for enhancing such exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.18**.

Table 6.18: Articles of iron or steel (HS-73) - Potential Commodities for Exports to Uzbekistan

HS Code	Product label	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's Share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
730890	Structures and parts of structures, of iron or steel (excluding bridges and bridge-sections)	99.3	0.04	0.04	483.5
732690	Articles of iron or steel (excluding cast articles or articles of iron or steel wire)	28.9	0.002	0.01	762.6
731815	Threaded screws and bolts, of iron or steel, whether or not with their nuts and washers	20.7	0.1	0.7	293.2

Source: ITC Trade Map

Plastics and articles (HS-39) - Imports of plastics and articles into Uzbekistan amounted to US$ 573.9 million in 2018, accounting for 3.3 percent of Uzbekistan's total imports. Uzbekistan's imports of these items from India, however, stood at a modest US$ 5.8 million in 2018, with a marginal share of 1 percent in Uzbekistan's global imports. India's global exports of plastics and articles amounted to almost US$ 7.8 billion in 2018. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.19**.

Table 6.19: Plastics and articles (HS-39) - Potential Commodities for Exports to Uzbekistan

HS Code	Product label	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's Share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
390210	Polypropylene, in primary forms	48.1	0.1	0.2	864.4
390761	Poly"ethylene terephthalate", in primary forms, having a viscosity number of >= 78 ml/g	43.3	-	-	1050.6
390110	Polyethylene with a specific gravity of < 0,94, in primary forms	31.4	0.2	0.5	791.6
392190	Plates, sheets, film, foil and strip, of plastics, reinforced, laminated, supported	29.4	0.6	2.0	302.1
392690	Articles of plastics and articles of other materials of heading 3901 to 3914	25.5	0.01	0.04	534.7
392020	Plates, sheets, film, foil and strip, of non-cellular polymers of ethylene, not reinforced	21.3	0.1	0.5	289.8

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Sugars and sugar confectionery (HS-17) - These items also form Uzbekistan's major imports, amounting to US$ 347.4 million in 2018, and accounting for 2 percent of Uzbekistan's total imports. Uzbekistan's imports of these products from India, however, stood at US$ 0.6 million in 2018, with a modest share of 0.2 percent in Uzbekistan's corresponding global imports. India's exports of sugars and sugar confectionery during 2018 amounted to US$ 1.2 billion, highlighting the immense scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.20**.

Table 6.20: Sugars and sugar confectionery (HS-17) - Potential Commodities for Exports to Uzbekistan

HS Code	Product label	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's Share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
170199	Cane or beet sugar and chemically pure sucrose, in solid form	304.9	-	-	856.0
170113	Raw cane sugar, in solid form, not containing added flavouring or colouring matter	30.7	0.6	1.9	35.3

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Cereals (HS-10) – Cereals form a major importanted item of Uzbekistan, with imports worth US$ 305.6 million in 2018, and accounting for 1.8 percent of Uzbekistan's total imports. Uzbekistan's imports of these products from India, however, stood at US$ 0.01 million in 2018, with a modest share of 0.002 percent in Uzbekistan's corresponding global imports. India's exports of cereals during 2018 amounted to US$ 7.8 billion, highlighting the immense scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.21**.

Table 6.21: Cereals (HS-10) - Potential Commodities for Exports to Uzbekistan

HS Code	Product label	Uzbekistan's Imports from World (US$ mn)	India's Exports to Uzbekistan (US$ mn)	India's Share in Uzbekistan's Global Imports (%)	India's Exports to World (US$ mn)
100590	Maize (excluding seed for sowing)	7.8	0.002	0.03	193.7
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	5.6	0.004	0.1	6878.4

Source: ITC Trade Map

TURKMENISTAN

Turkmenistan accounts for 10.3 percent of India's total exports to CARs. Potential exists to further enhance India's exports to the country, based on the import demand in Turkmenistan and India's export capability. It may be observed from **Table 6.22** that except in the case of pharmaceutical products and meat and edible meat offal, where India's share in Turkmenistan's global imports accounted for a healthy share of 16.7 percent and 30.7 percent, respectively, India's shares in Turkmenistan's imports of all other major products are marginal. Most of Turkmenistan's import products are also among India's major export items.

In this regard, the potential export items to Turkmenistan would include, among others, machinery; articles of iron or steel; electrical and electronic equipment; transport vehicles; plastics and articles; ships, boats and floating structures; iron and steel; miscellaneous chemical products; optical, photographic, cinematographic, medical or surgical instruments and sugars and sugar confectionery.

Table 6.22: Turkmenistan's Major Global Imports and India's Share, 2018

HS Code	Product label	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's Share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
	All products	**2822.7**	**41.7**	**1.5**	**323056.4**
84	Machinery and mechanical appliances	564.2	2.2	0.4	20403.9
73	Articles of iron or steel	267.3	0.02	0.01	7082.9
85	Electrical machinery and equipment	189.1	0.9	0.4	11788.0
87	Vehicles other than railway or tramway	136.3	0.1	0.1	18238.9
39	Plastics and articles	133.9	0.1	0.1	7844.0
89	Ships, boats and floating structures	105.1	-	-	3591.2
72	Iron and steel	88.5	0.1	0.1	9975.5
30	**Pharmaceutical products**	**87.8**	**14.7**	**16.7**	**14277.2**
38	Miscellaneous chemical products	83.2	0.2	0.3	4412.7
90	Optical, photographic, cinematographic, medical or surgical instruments	64.6	0.3	0.5	3204.6
17	Sugars and sugar confectionery	55.1	0.8	1.5	1164.7
44	Wood and articles of wood	52.1	-	-	432.9
94	Furniture, bedding, mattresses, and similar stuffed furnishings	51.6	-	-	1655.8
02	**Meat and edible meat offal**	**49.9**	**15.3**	**30.7**	**3727.0**

HS Code	Product label	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's Share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
10	Cereals	46.7	0.2	0.5	7773.9
07	Edible vegetables, certain roots and tubers	43.7	0.04	0.1	1230.4
08	Edible fruit and nuts	41.8	-	-	1550.8
15	Animal or vegetable fats and oils	38.1	0.01	0.04	1122.4
40	Rubber and articles	38.1	0.7	1.9	3159.8
27	Mineral fuels, oils and products of distillation	36.6	0.02	0.1	48293.2
32	Tanning or dyeing extracts	32.5	1.2	3.6	3230.7

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Machinery and mechanical appliances (HS-84) - These items are Turkmenistan's major imports, amounting to US$ 564.2 million in 2018 and accounting for 20 percent of Turkmenistan's total imports. Turkmenistan's imports of these items from India stood at a modest US$ 2.2 million in 2018, which accounted for a share of only 0.4 percent in Turkmenistan's global imports of the same products. India's global exports of machinery, on the other hand, amounted to US$ 20.4 billion during 2018. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.23**.

Table 6.23: Machinery and mechanical appliances (HS-84) - Potential Commodities for Exports to Turkmenistan

HS Code	Product label	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's Share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
843143	Parts for boring or sinking machinery of subheading 8430.41 or 8430.49	18.8	0.1	0.4	171.2
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves)	17.7	0.1	0.3	774.5
841480	Air pumps, air or other gas compressors and ventilating or recycling hoods	9.5	0.01	0.1	302.6
842199	Parts of machinery and apparatus for filtering or purifying liquids or gases	7.9	0.004	0.1	140.8
841370	Centrifugal pumps, power-driven (excluding those of subheading 8413.11 and 8413.19, fuel)	7.7	0.02	0.2	226.0
841391	Parts of pumps for liquids	7.4	0.1	0.7	357.2

Source: ITC Trade Map

Articles of iron or steel (HS-73) - Turkmenistan's imports of articles of iron or steel amounted to US$ 267.3 million during 2018, accounting for 9.5 percent of its total imports during the year. While India's global exports of articles of iron or steel amounted to US$ 7.1 billion during 2018, Turkmenistan's imports of the product from India amounted to a marginal US$ 0.02 million, resulting in India's negligible share in Turkmenistan's global imports of the product. Potential export items under this category, based on 6-digit HS code, are given in **Table 6.24**.

Table 6.24: Articles of iron or steel (HS-73) - Potential Commodities for Exports to Turkmenistan

HS Code	Product label	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's Share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
730890	Structures and parts of structures, of iron or steel (excluding bridges and bridge-sections)	48.2	0.001	0.002	483.5
730511	Line pipe of a kind used for oil or gas pipelines, having circular cross-sections	46.3	-	-	351.7
732690	Articles of iron or steel (excluding cast articles or articles of iron or steel wire)	12.6	-	-	762.6
730690	Tubes, pipes and hollow profiles, open seam, riveted or similarly closed, of iron	9.0	-	-	113.3

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Electrical and electronic equipment (HS-85) – Turkmenistan imported electrical and electronic equipment amounting to US$ 189.1 million in 2018, which accounted for around 6.7 percent of Turkmenistan's total imports. Turkmenistan's imports of these products from India stood at a modest US$ 0.9 million in 2018, accounting for 0.4 percent of Turkmenistan's global imports. India's exports of electrical and electronic equipment during the same year, however, amounted to a robust US$ 11.8 billion, highlighting the tremendous scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.25**.

Table 6.25: Electrical and electronic equipment (HS-85) - Potential Commodities for Exports to Turkmenistan

HS Code	Product label	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's Share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	23.1	-	-	1065.2
853710	Boards, cabinets and similar combinations of apparatus for electric control or distribution for a voltage not exceeding 1000 volts	14.8	0.05	0.3	374.6
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors	13.9	0.001	0.01	209.1
851762	Machines for the reception, conversion and transmission or regeneration of voice, images	11.4	-	-	628.0
853720	Boards, cabinets and similar combinations of apparatus for electric control or distribution f or a voltage > 1,000 V	4.3	-	-	140.1

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Vehicles other than railway or tramway (HS-87) - Turkmenistan's imports of these items amounted to US$ 136.3 million in 2018, and accounted for 4.8 percent of Turkmenistan's total imports. However, Turkmenistan's imports of these products from India stood at US$ 0.1 million in 2018, while India's global exports of the same amounted to a robust US$ 18.2 billion. Potential export items under this category, based on 6-digit HS code, are given in **Table 6.26**.

Table 6.26: Vehicles other than railway or tramway (HS-87) - Potential Commodities for Exports to Turkmenistan

HS Code	Product label	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's Share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
870193	Tractors, of an engine power > 37 kW but <= 75 kW (excl. those of heading 8709)	20.4	0.1	0.6	571.9
870323	Motor cars and other motor vehicles principally designed for the transport of persons	12.8	-	-	1939.3
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons	11.1	-	-	2763.1

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Plastics and articles (HS-39) - Turkmenistan's imports of these items amounted to US$ 133.9 million in 2018, accounting for 4.7 percent of Turkmenistan's total imports. However, Turkmenistan's imports of these products from India was only US$ 0.1 million in 2018, while India's global exports of the same amounted to a robust US$ 7.8 billion. Potential export items under this category, based on 6-digit HS code, are given in **Table 6.27**.

Table 6.27: Plastics and articles (HS-39) - Potential Commodities for Exports to Turkmenistan

HS Code	Product label	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's Share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
390120	Polyethylene with a specific gravity of >= 0,94, in primary forms	10.2	-	-	369.9
392321	Sacks and bags, incl. cones, of polymers of ethylene	10.1	-	-	165.0
392690	Articles of plastics and articles of other materials of heading 3901 to 3914	8.6	0.01	0.1	534.7

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Ships, boats and floating structures (HS-89) - Turkmenistan imported ships, boats and floating structures amounting to US$ 105.1 million in 2018, which accounted for around 3.7 percent of Turkmenistan's total imports. Turkmenistan's imports of these products from India were negligible. India's exports of ships, boats and floating structures during the same year, however, amounted to US$ 3.6 billion, highlighting the tremendous scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.28**.

Table 6.28: Ships, boats and floating structures (HS-89) - Potential Commodities for Exports to Turkmenistan

HS Code	Product label	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's Share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
890590	Light-vessels, fire-floats, floating cranes and other vessels	69.4	-	-	804.5
890510	Dredgers	34.7	-	-	451.6

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Iron and steel (HS-72) – Turkmenistan's imports of iron and steel amounted to US$ 88.5 million during 2018, with imports from India amounting to only US$ 0.1 million. Though India has demonstrated export capability of iron and steel by way of its global exports amounting to around US$ 10 billion, India's share in Turkmenistan's global imports of iron and steel is still marginal at 0.1 percent. This would serve to highlight the existing potential for enhancing exports, which could include, based on 6-digit HS code classification, are given in **Table 6.29**.

Table 6.29: Iron and steel (HS-72) - Potential Commodities for Exports to Turkmenistan

HS Code	Product label	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's Share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
721420	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations	45.5	-	-	138.5
721070	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled/ cold-rolled, products painted , varnished/ coated with plastics	6.5	-	-	82.8

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Table 6.30: Miscellaneous chemical products (HS-38) - Potential Commodities for Exports to Turkmenistan

HS Code	Product label	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's Share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
382499	Chemical products and preparations of the chemical or allied industries	22.4	0.02	0.1	241.3
380893	Herbicides, anti-sprouting products and plant-growth regulators	11.3	-	-	888.1

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Miscellaneous chemical products (HS-38) - Turkmenistan's imports of miscellaneous chemical products amounted to US$ 83.2 million during 2018, with imports from India amounting to only US$ 0.2 million. Though India has demonstrated export capability of miscellaneous chemical products by way of its global exports amounting to around US$ 4.4 billion, India's share in Turkmenistan's global imports of iron and steel is still marginal at 0.3 percent. This would serve to highlight the existing potential for enhancing exports, which could include, based on 6-digit HS code classification, are given in **Table 6.30**.

Optical, photographic, cinematographic, medical or surgical instruments (HS-90) - Turkmenistan imported optical, photographic, cinematographic, medical or surgical instruments amounting to US$ 64.6 million in 2018, which accounted for around 2.3 percent of Turkmenistan's total imports. Turkmenistan's import of these products from India were marginal at US$ 0.3 million in 2018, with a 0.5 percent share in corresponding imports by Turkmenistan. India's exports of optical, photographic, cinematographic, medical or surgical instruments during the same year, however, amounted to US$ 3.2 billion, highlighting the tremendous scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.31**.

Table 6.31: Optical, photographic, cinematographic, medical or surgical instruments (HS-90) - Potential Commodities for Exports to Turkmenistan

HS Code	Product label	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's Share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
901890	Instruments and appliances used in medical, surgical or veterinary sciences	8.5	0.1	1.1	209.7
903289	Regulating or controlling instruments and apparatus (excluding hydraulic or pneumatic, manostats)	3.2	0.004	0.1	198.0

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Sugars and sugar confectionery (HS-17) - Turkmenistan imported sugars and sugar confectionery amounting to US$ 55.1 million in 2018, which accounted for around 2 percent of Turkmenistan's total imports. Turkmenistan's import of these products from India were marginal at US$ 0.8 million, with a share of 1.5 percent in corresponding imports by Turkmenistan. India's exports of sugars and sugar confectionery during the same year, however, amounted to US$ 1.2 billion, highlighting the tremendous scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.32.**

Table 6.32: Sugars and sugar confectionery (HS-17) - Potential Commodities for Exports to Turkmenistan

HS Code	Product label	Turkmenistan's Imports from World (US$ mn)	India's Exports to Turkmenistan (US$ mn)	India's Share in Turkmenistan's Global Imports (%)	India's Exports to World (US$ mn)
170199	Cane or beet sugar and chemically pure sucrose, in solid form	42.2	0.8	2.0	856.0
170490	Sugar confectionery not containing cocoa, incl. white chocolate (excluding chewing gum)	10.8	-	-	102.7

Note: '–' denotes not available/negligible
Source: ITC Trade Map

KYRGYZSTAN

Kyrgyzstan accounts for 6.8 percent of India's total exports to CARs. A great potential exists to further enhance India's exports, based on the import demand in Kyrgyzstan, and India's export capability.

Table 6.33 presents Kyrgyzstan's major import items, in terms of 2 digit HS code, and India's share in Kyrgyzstan's global imports of these items. Except in the cases of pharmaceuticals products and articles of apparel and clothing accessories, not knitted or crocheted, where in India accounts for a relatively healthy share of around 5.4 percent and 5.7 percent, respectively in Kyrgyzstan's global imports during 2018, India's share in Kyrgyzstan's global imports of other major items is marginal. Moreover, India enjoys a relatively robust export capability in most of these items which are among Kyrgyzstan's major imports. This would serve to highlight the existing potential to further enhance these exports to Kyrgyzstan, in line with the huge import demand in the country.

The potential export items from India to Kyrgyzstan would thus mainly include, among others, petroleum products; machinery; footwear; electrical and electronic equipment; articles of apparel, accessories, knit or crochet; iron and steel; man-made staple fibres; plastics and articles; transport vehicles and articles of iron or steel; cereals.

Table 6.33: Kyrgyzstan's Major Global Imports and India's Share, 2018

HS Code	Product label	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's Share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
	All products	**5291.9**	**28.4**	**0.5**	**323056.4**
27	Mineral fuels, oils and products of distillation	901.4	-	-	48293.2
84	Machinery and mechanical appliances	475.0	0.1	0.02	20403.9
64	Footwear, gaiters and articles	372.6	0.1	0.02	2846.3
85	Electrical machinery and equipment	307.2	0.5	0.1	11788.0
61	Articles of apparel and clothing accessories, knitted or crocheted	236.4	6.7	2.8	7561.1
72	Iron and steel	190.7	0.2	0.1	9975.5
55	Man-made staple fibres	178.2	-	-	1911.9
39	Plastics and articles	174.9	0.01	0.003	7844.0
87	Vehicles other than railway or tramway	170.8	-	-	18238.9
30	**Pharmaceutical products**	**163.2**	**8.8**	**5.4**	**14277.2**

HS Code	Product label	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's Share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
62	**Articles of apparel and clothing accessories, not knitted or crocheted**	**132.2**	**7.6**	**5.7**	**8126.0**
73	Articles of iron or steel	98.7	-	-	7082.9
83	Miscellaneous articles of base metal	98.6	-	-	615.1
54	Man-made filaments	87.1	0.03	0.03	2270.3
24	Tobacco and manufactured tobacco substitutes	79.0	0.1	0.1	984.6
08	Edible fruit and nuts	69.9	-	-	1550.8
44	Wood and articles of wood	64.7	0.01	0.01	432.9
48	Paper and paperboard	63.7	0.01	0.01	1819.3
60	Knitted or crocheted fabrics	63.2	-	-	419.7
40	Rubber and articles	62.1	-	-	3159.8
42	Articles of leather, travel goods, and similar containers	58.8	0.9	1.5	2487.8
33	Essential oils and resinoids	56.7	0.5	0.9	1933.7
22	Beverages, spirits and vinegar	55.6	-	-	330.5
15	Animal or vegetable fats and oils	53.9	0.001	0.002	1122.4

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Petroleum products (HS-27) - Kyrgyzstan's imports of petroleum products amounted to US$ 901.4 million in 2018, accounting for 17 percent of the country's total imports. Kyrgyzstan's imports of these items from India were, however negligible, even though India's corresponding global exports of petroleum product amounted to a robust US$ 48.3 billion. This highlights the immense potential for exports of the following items at 6-digit HS code, as given in **Table 6.34**.

Table 6.34: Petroleum products (HS-27) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product label	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's Share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	489.4	-	-	32004.6
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume	306.7	-	-	14741.0

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Machinery and mechanical appliances (HS-84) – Machinery is the second major item of import for Kyrgyzstan, with total imports amounting to US$ 475 million during 2018, accounting for 9 percent of total imports of the country. However, the country's imports from India amounted to a marginal US$ 0.1 million, with India's global exports of machinery, on the other hand, amounting to a robust US$ 20.4 billion during 2018. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.35**.

Table 6.35: Machinery and mechanical appliances (HS-84) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product label	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's Share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
843149	Parts of machinery of heading 8426, 8429 and 8430	20.6	-	-	417.8
840820	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine"	14.5	-	-	232.8
841950	Heat-exchange units (excluding instantaneous heaters, storage water heaters, boilers and equipment)	12.0	-	-	169.6
847490	Parts of machinery for working mineral substances of heading 8474	11.5	-	-	235.4

Note: '–' denotes not available/negligible

Source: ITC Trade Map

Footwear, gaiters and articles (HS-64) - Kyrgyzstan's imports of these products amounted to US$ 372.6 million, accounting for 7 percent of total imports during 2018. Though India's exports amounted to a robust US$ 2.8 billion during 2018, Kyrgyzstan's imports of these products from India amounted to a marginal US$ 0.1 million. There exists huge potential for enhancing India's exports of the following items at 6-digit HS code level to Kyrgyzstan, as given in **Table 6.36**.

Table 6.36: Footwear, gaiters and articles (HS-64) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product label	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's Share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
640299	Footwear with outer soles and uppers of rubber or plastics (excluding covering the ankle)	201.9	0.003	0.001	99.4
640219	Sports footwear with outer soles and uppers of rubber or plastics (excluding water proof footwear)	18.0	-	-	100.8
640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather	6.4	0.032	0.5	304.1

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Electrical and electronic equipment (HS-85) – Another important item in Kyrgyzstan's import basket is electrical and electronic equipment. Imports of these products amounted to US$ 307.2 million, accounting for 5.8 percent of total imports in 2018. Kyrgyzstan's imports of these products from India stood at a modest US$ 0.5 million in 2018, accounting for 0.1 percent of Kyrgyzstan's global imports of the same products. The potential export items to further enhance India's exports to Kyrgyzstan are given in **Table 6.37**.

Table 6.37: Electrical and electronic equipment (HS-85) - Potential Commodities for Exports to Kyrgyzstan

HS Code	Product label	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's Share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	108.4	-	-	1065.2
851762	Machines for the reception, conversion and transmission or regeneration of voice, images	19.2	-	-	628.0
851770	Parts of telephone sets, telephones for cellular networks or for other wireless networks	13.5	-	-	232.3

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Articles of apparel, accessories, knit or crochet (HS-61) – Kyrgyzstan's imports of these products amounted to US$ 236.4 million during 2018, accounting for 4.5 percent of Kyrgyzstan's total imports. Kyrgyzstan's imports of these products from India stood at US$ 6.7 million in 2018, with a 2.8 percent share in Kyrgyzstan's global imports of the same product. India's exports of the product during the same year amounted to US$ 7.6 billion, highlighting the immense scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.38**.

Table 6.38: Articles of apparel, accessories, knit or crochet (HS-61) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product label	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's Share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted	39.0	0.1	0.3	123.1
610442	Women's or girls' dresses of cotton, knitted or crocheted (excluding petticoats)	19.9	0.1	0.5	113.4
611420	Special garments for professional, sporting or other purposes of cotton, knitted	17.4	0.1	0.7	306.9
611490	Special garments for professional, sporting or other purposes of textile materials	17.3	-	-	235.2
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	14.8	3.7	25.1	1786.0

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Iron and steel (HS-72) – Kyrgyzstan's imports of iron and steel amounted to US$ 190.7 million in 2018, with corresponding imports from India amounting to a marginal US$ 0.2 million in 2018. India's global exports of the product during the year amounted to US$ 10 billion. The potential export items under this category, based on 6-digit HS code are given in **Table 6.39**.

Table 6.39: Iron and steel (HS-72) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product label	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's Share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
721420	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations	42.7	-	-	138.5
721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled	19.6	-	-	484.2

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Man-made staple fibres (HS-55) – Tajikistan's imports of these products amounted to US$ 178.2 million in 2018. While India's exports of man-made staple fibres amounted to US$ 1.9 billion during 2018, Tajikistan's imports of the same from India were negligible. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.40**.

Table 6.40: Man-made staple fibres (HS-55) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product label	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's Share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
551511	Woven fabrics containing predominantly, but < 85% polyester staple fibres by weight	10.2	0.001	0.01	294.6

Source: ITC Trade Map

Plastics and articles (HS-39) – Kyrgyzstan's imports of plastics and articles amounted to US$ 174.9 mn in 2018, while India's global exports of the same amounted to US$ 7.8 billion during the same year. However, Kyrgyzstan's imports of these items from India stood at a marginal US$ 0.01 million in 2018. The potential export items based on 6-digit HS code, are given in **Table 6.41**.

Table 6.41: Plastics and articles (HS-39) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product label	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's Share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
390769	Poly"ethylene terephthalate", in primary forms, having a viscosity number of < 78 ml/g	17.6	-	-	271.5
392321	Sacks and bags, incl. cones, of polymers of ethylene	15.9	-	-	165.0
392690	Articles of plastics and articles of other materials of heading 3901 to 3914	15.1	0.001	0.01	534.7

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Vehicles other than railway or tramway (HS-87) – Kyrgyzstan's imports of transport vehicles amounted to US$ 170.8 million in 2018, accounting for 3.2 percent of Kyrgyzstan's total imports. Kyrgyzstan's imports of these items from India were negligible in 2018. In comparison, India's exports of transport vehicles during 2018 amounted to US$ 18.2 billion. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.42**.

Table 6.42: Vehicles other than railway or tramway (HS-87) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product label	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's Share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons	25.7	-	-	2763.1
870120	Road tractors for semi-trailers	20.6	-	-	83.6
870423	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston	14.1	-	-	182.9
870322	Motor cars and other motor vehicles principally designed for the transport of persons	12.6	-	-	3266.2

Note: '–' denotes not available/negligible
Source: ITC Trade Map

Articles of iron or steel (HS-73) – Kyrgyzstan's imports of articles of iron or steel amounted to US$ 98.7 million, while India's global imports amounted to US$ 7.1 billion in 2018. Kyrgyzstan's imports of these products from India were negligible in 2018. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.43**.

Table 6.43: Articles of iron or steel (HS-73) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product label	Kyrgyzstan's Imports from World (US$ mn)	India's Exports to Kyrgyzstan (US$ mn)	India's Share in Kyrgyzstan's Global Imports (%)	India's Exports to World (US$ mn)
730630	Tubes, pipes and hollow profiles, welded, of circular cross-section, of iron or non-alloy steel	12.8	-	-	258.4
730890	Structures and parts of structures, of iron or steel (excluding bridges and bridge-sections)	7.0	-	-	483.5
732690	Articles of iron or steel (excluding cast articles or articles of iron or steel wire)	5.5	0.002	0.04	762.6

Note: '–' denotes not available/negligible

Source: ITC Trade Map

TAJIKISTAN

Tajikistan accounts for 5 percent of India's total exports to CARs. While at present, bilateral trade is modest, with India's exports to the country amounting to only US$ 20.5 million during 2018, there exists a great potential to further enhance India's exports, based on the import demand in Tajikistan, and India's export capability.

Table 6.44 presents Tajikistan's major import items, in terms of 2 digit HS code, and India's share in Tajikistan's global imports of these items. It is observed that India's share in almost all of Tajikistan's major imports except for pharmaceutical products (33.5 percent) is marginal. It is also observed that India has huge export capability in most of Tajikistan's major imports. This would serve to highlight the existing potential to further enhance these exports to Tajikistan, in line with the huge import demand in the country.

The potential export items from India to Tajikistan would thus mainly include: petroleum products; transport vehicles; iron and steel; machinery; cereals; electrical and electronic equipment; inorganic chemicals; articles of iron or steel and plastics and articles. Items that hold potential at 6-digit HS commodity level under these categories are presented below.

Table 6.44: Tajikistan's Major Global Imports and India's Share, 2018

HS Code	Product label	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's Share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
	All products	**3144.3**	**20.5**	**0.7**	**323056.4**
27	Mineral fuels, oil and products of distillation	563.1	-	-	48293.2
87	Vehicles other than railway or tramway	296.2	-	-	18238.9
72	Iron and steel	273.4	-	-	9975.5
84	Machinery and mechanical appliances	266.6	1.4	0.5	20403.9
10	Cereals	182.3	-	-	7773.9
85	Electrical machinery and equipment	161.0	0.8	0.5	11788.0
44	Wood and articles of wood	123.8	-	-	432.9
28	Inorganic chemicals	111.9	-	-	2032.7
73	Articles of iron or steel	101.1	-	-	7082.9
39	Plastics and articles	84.9	-	-	7844.0
15	Animal or vegetable fats and oils	83.0	-	-	1122.4
17	Sugars and sugar confectionery	70.8	0.1	0.2	1164.7
30	**Pharmaceutical products**	**43.5**	**14.5**	**33.5**	**14277.2**
02	Meat and edible meat offal	42.8	-	-	3727.0
19	Preparations of cereals, flour, starch or milk	40.9	-	-	521.2
48	Paper and paperboard	39.8	0.1	0.2	1819.3
34	Soap, organic surface-active agents, washing and lubricating preparations	34.8	-	-	597.8
69	Ceramic products	32.4	-	-	1511.6
31	Fertilisers	30.7	-	-	135.5
18	Cocoa and cocoa preparations	30.5	-	-	193.6
68	Articles of stone, plaster, cement, asbestos or similar materials	28.8	-	-	1501.9
38	Miscellaneous chemical products	24.3	0.1	0.2	4412.7
94	Furniture, bedding, mattresses and similar stuffed furnishings	23.8	-	-	1655.8
70	Glass and glassware	23.5	-	-	888.6
32	Tanning or dyeing extracts	22.7	-	-	3230.7

Note: '-' denotes not available/ negligible
Source: ITC Trade Map

Petroleum products (HS-27) – Tajikistan's imports of petroleum products amounted to US$ 563.1 million during 2018, accounting for a share of 17.9 percent of Tajikistan's total imports. However, Tajikistan's imports of these products from India were negligible. India's exports of the product, on the other hand, during the same year amounted to a robust US$ 48.3 billion, highlighting the immense scope for enhancing these exports. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.45**.

Table 6.45: Petroleum products (HS-27) – Potential Commodities for Exports to Tajikistan

HS Code	Product label	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's Share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	204.6	-	-	32004.6
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume	114.0	-	-	14741.0
271311	Petroleum coke, non-calcined	21.1	-	-	85.6

Note: '-' denotes not available/ negligible

Source: ITC Trade Map

Vehicles other than railway or tramway (HS-87) – Tajikistan's imports of transport vehicles, which are among its leading import items, amounted to US$ 296.2 million in 2018. Though India's exports of transport vehicles globally amounted to US$ 18.2 billion, Tajikistan's imports of transport vehicles from India were negligible. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.46**.

Table 6.46: Vehicles other than railway or tramway (HS-87) – Potential Commodities for Exports to Tajikistan

HS Code	Product label	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's Share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
870323	Motor cars and other motor vehicles principally designed for the transport of persons	81.5	-	-	1939.3
870210	Motor vehicles for the transport of >= 10 persons, incl. driver, with compression-ignition	38.2	-	-	169.7
870410	Dumpers for off-highway use	30.4	-	-	505.5

Note: '-' denotes not available/ negligible
Source: ITC Trade Map

Iron and steel (HS-72) – Tajikistan's imports of iron and steel amounted to US$ 273.4 million in 2018, with 8.7 percent share in the country's global imports. However, the corresponding imports from India were negligible. India's global exports of the product during the year amounted to US$ 10 billion. The potential export items under this category, based on 6-digit HS code are given in **Table 6.47**.

Table 6.47: Iron and steel (HS-72) – Potential Commodities for Exports to Tajikistan

HS Code	Product label	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's Share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
721420	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations	67.4	-	-	138.5
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, of thickness < 3mm	18.8	-	-	825.6

Note: '-' denotes not available/ negligible
Source: ITC Trade Map

Machinery (HS-84) – Machinery is also among Tajikistan's leading imports, amounting to US$ 266.6 million during 2018, accounting for a share of 8.5 percent of Tajikistan's global imports. Tajikistan's imports of these products from India stood at US$ 1.4 million in 2018, which accounted for 0.5 percent in Tajikistan's global imports of machinery. India's exports of the same during the year amounted to US$ 20.4 billion. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.48**.

Table 6.48: Machinery (HS-84) – Potential Commodities for Exports to Tajikistan

HS Code	Product label	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's Share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
847490	Parts of machinery for working mineral substances of heading 8474	15.1	-	-	235.4
842952	Self-propelled mechanical shovels, excavators and shovel loaders, with 360° revolving	9.4	-	-	221.2

Note: '-' denotes not available/ negligible
Source: ITC Trade Map

Cereals (HS-10) – Tajikistan's imports of cereals amounted to US$ 182.3 million in 2018, with a 5.8 percent share in the country's global imports. Though, the corresponding imports from India were negligible, India's global exports of the product during the year amounted to US$ 7.8 billion. The potential export items under this category, based on 6-digit HS code are given in **Table 6.49**.

Table 6.49: Cereals (HS-10) – Potential Commodities for Exports to Tajikistan

HS Code	Product label	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's Share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	6.2	-	-	6878.4

Note: '-' denotes not available/ negligible
Source: ITC Trade Map

Electrical and electronic equipment (HS-85) – Tajikistan's imports of these items amounted to US$ 161 million in 2018, which accounted for 5.1 percent of Tajikistan's total imports. Tajikistan's imports of these products from India stood at a marginal US$ 0.8 million in 2018, accounting for a marginal share of 0.5 percent in Tajikistan's global imports of the product. India's global exports of the product, however, amounted to a robust US$ 11.8 billion during the year. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.50**.

Table 6.50: Electrical and electronic equipment (HS-85) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product label	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's Share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
853720	Boards, cabinets and similar combinations of apparatus for electric control or the distribution for a voltage > 1,000 V	28.7	-	-	140.1
850423	Liquid dielectric transformers, having a power handling capacity > 10.000 kVA	13.4	-	-	149.4
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution for a voltage <= 1.000 V	12.9	-	-	374.6

Note: '-' denotes not available/ negligible
Source: ITC Trade Map

Inorganic chemicals (HS-28) – Tajikistan's imports of these products amounted to US$ 111.9 million in 2018, accounting for 3.6 percent share in the country's global imports. While, India's exports of inorganic chemicals amounted to US$ 2 billion during 2018, Tajikistan's imports of the same from India were negligible. The potential export items under this category, based on 6-digit HS code, are given in **Table 6.51**.

Table 6.51: Inorganic chemicals (HS-28) – Potential Commodities for Exports to Tajikistan

HS Code	Product label	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's Share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
281820	Aluminium oxide (excluding artificial corundum)	85.2	-	-	686.6

Note: '-' denotes not available/ negligible
Source: ITC Trade Map

Articles of iron or steel (HS-73) - Tajikistan's imports of articles of iron or steel amounted to US$ 101.1 million during 2018, accounting for 3.2 percent of its total imports during the year. While India's global exports of articles of iron or steel amounted to US$ 7.1 billion during 2018, Tajikistan's imports of the product from India were negligible. Potential export items under this category, based on 6-digit HS code, are given in **Table 6.52**.

Table 6.52: Articles of iron or steel (HS-73) – Potential Commodities for Exports to Kyrgyzstan

HS Code	Product label	Tajikistan's Imports from World (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's Share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
730890	Structures and parts of structures, of iron or steel (excluding bridges and bridge-sections)	17.3	-	-	483.5
730820	Towers and lattice masts, of iron or steel	15.1	-	-	256.8
732690	Articles of iron or steel (excluding cast articles or articles of iron or steel wire)	9.9	-	-	762.6

Note: '-' denotes not available/ negligible
Source: ITC Trade Map

Plastics and articles (HS-39) – Tajikistan's imports of plastics and articles amounted to US$ 84.9 million in 2018, while India's global exports of the same amounted to US$ 7.8 billion during the same year. However, Tajikistan's imports of these items from India were negligible. The potential export items based on 6-digit HS code, are given in **Table 6.53**.

Table 6.53: Plastics and articles (HS-39) – Potential Commodities for Exports to Tajikistan

HS Code	Product label	Tajikistan's Imports from world (US$ mn)	India's Exports to Tajikistan (US$ mn)	India's Share in Tajikistan's Global Imports (%)	India's Exports to World (US$ mn)
390210	Polypropylene, in primary forms	10.7	0.02	0.2	864.4
390120	Polyethylene with a specific gravity of >= 0,94, in primary forms	4.8	-	-	369.9

Note: '-' denotes not available/ negligible
Source: ITC Trade Map

INVESTMENT POTENTIAL IN CENTRAL ASIAN REPUBLICS

Central Asian Republics are poised to become significant players in the new global paradigm and the next frontier of economic opportunity for the world's investors. The region has shown economic dynamism with high labour productivity growing above world averages, FDI flows into the region multiplying manifolds and the region's per annum GDP growing at higher rate, over the last decade. However, in order to consolidate its competitiveness and anchor growth in a sustainable manner, CARs would also need to implement far reaching structural reforms.

In addition to energy resources, the region also has a strong agricultural potential. The region has the potential to become "the wheat breadbasket of the world". Moreover, CARs population of around 72.1 million people with almost universal literacy skills also plays a significant role in the region's development. The region enjoys comparative advantage in terms of its location being at the crossroads of Asia and Europe and its dynamic neighbours - Russia, India and China, and is thus emerging as an increasingly investment friendly region. Sectors that hold potential for investment in the region include, among others, agriculture and food processing, irrigation, mineral processing, oil and natural gas exploration, tourism and infrastructure development including rail-road-air transportation networks, power generation and distribution, construction, and telecommunications. Investment potential in CARs is highlighted below.

KAZAKHSTAN

Over the last two decades, Kazakhstan has delivered a strong economic performance in a number of sectors. The country is committed to regional and international cooperation and has a proven history as an attractive location for FDI, generating around US$ 147 billion through FDI since 1992[21]. Even in terms of World Bank's Ease of Doing Business ranking, Kazakhstan's position improved rapidly from 74th position in 2010 to 25th position in 2019, an improvement of 49 places in less than a decade. With a view to further provide momentum to its reforms, the Government of Kazakhstan initiated the Development strategy 2050 program to make Kazakhstan one of the world's top 30 most developed states by 2050, focusing on building a diversified and sustainable economy by creating new export-oriented high-tech manufacturing; infrastructure development; strengthening of national innovative system and local personnel development. Kazakhstan strives to create attractive conditions by way of providing preferences, benefits, projects co-funding and other incentives, to investors willing to implement projects in high-priority sectors. The three key aims of the Strategy 2050 are to define new markets where Kazakhstan can form productive partnerships and create new sources of economic growth; to create a favorable investment climate and to effectively develop and modernize the public and private sectors.

A number of favourable conditions play an important role in attracting foreign investment into Kazakhstan. These primarily include Kazakhstan's rising geo-political status, maintaining balanced international relations with West and East, as well as with key neighboring economies; geographic location; openness to best international practices; large-scale reforms aimed at development of a balanced and sustainable economy; investment policies focused on value addition to products and processes; political stability; favorable business climate and foreign investments protection guarantees. Kazakhstan is also bestowed with abundant natural and mineral resources. Niche areas of investment in Kazakhstan include:

Oil Refining and Development of Oil and Gas Infrastructure

Globally, Kazakhstan ranks 11th among oil reserves and 19th among natural gas reserves[22]. With a current proven oil reserves of 30 billion barrels, there exist possible unproven onshore and off shore reserves, with potential reserves of 100-110 billion barrels. Opportunities exist for large scale explorations and production of natural and associated gases.

[21]UNCTADStat
[22]OPEC

Mining and Metallurgical Sector

Mining and metallurgical sector is an important sector of Kazakhstan's economy. Metallurgy in Kazakhstan is featured by rich mineral resources base with substantial capacities. Kazakhstan has 30 percent of the world reserves of chrome ores, 25 percent of manganese ores, 10 percent of copper reserves, 13 percent of lead and zinc reserves and 10 percent of iron ores. Kazakhstan is among world's leading producers of uranium, ranks 2nd among production of chromite, and 4th among production of titanium in the world. The country is also a significant producer of barite, bauxite, cadmium, magnesium metal, sulfur, wolframium and zinc.[23] Such vast reserves provide significant opportunities for investment and cooperation.

Chemical Industry

Chemical industry features among priority industries of Kazakhstan and is one of the largest suppliers of raw materials, semi-finished products and materials for other industries. Kazakhstan has great potential for developing its petrochemical and chemical industry due to cheap feedstock and government support. Kazakhstan's chemical industry is based upon the significant phosphate reserves, development of oil and gas industry, recycling of sulfurous gases of metallurgy industry, and large stocks of various salts. Some of the priority sectors for development in Kazakhstan include petrochemicals (polypropylene) and agro chemistry (fertilizers and herbicides). Opportunities existing in chemical sector include production of potash salt, construction of calcined soda plant, and production of ammonia and carbamate, which support import substitution, thus meeting domestic consumption using domestic production.

Machine Industry

One of the most promising sectors of Kazakhstan's economy, machine-building sector includes 13 sub-industries, of which electrical and technical machinery, railway machinery, agricultural machinery, metal and mining machinery, oil and gas machinery, and automobile construction industry are the most promising sectors. Niche projects in machine industry include assembly production of tractors and combine harvesters, production of the attached implements, production of passenger cars, production of freight cars, production of all-rolled wheels, and production of light and commercial vehicles with the leading automobile groups of companies.

[23]USGS Minerals Yearbook – Kazakhstan, August 2019

Pharmaceutical Industry

Kazakhstan depends on imports of pharmaceutical raw material (substances), equipment and packing materials significantly. While local companies produce basic generic drugs and unsophisticated medical utensils; specific and innovative products are generally imported. Niche projects in pharmaceutical industry comprise construction of plant for production of single-use medical goods of polymeric materials and construction of plant for production of infusion solutions, pills, capsules and syrups. The regulatory environment in the country is quite conducive for investment in the sector.

Construction Industry and Building Materials Production

The Government of Kazakhstan has defined niche projects in construction industry and manufacture of construction materials especially in the glass industry, ceramics industry, cement industry and basalt fibre production. Implementation of these projects is focused on import substitution, thus meeting domestic consumption through domestic manufacture. Opportunities in the construction sector include manufacturing of flat-glass; construction and operation of plants for industrial glass processing and manufacture of energy-saving and environmental friendly insulating glass units; production of ceramic facing and sanitary tiles; operation of clay processing enterprise; production of clinker and cement terminals; construction of plant of basalt thermal insulating material and industrial construction mills.

Agriculture Sector

The agriculture sector primarily constitutes food production, cattle production and rearing and food processing industry. Kazakhstan is a leading grain exporter in the world. Kazakhstan's grain is exported to over 70 countries including the CIS region, Middle East, North Africa and European Union. Cattle production is one of the primary agricultural industry in the country. Rich grazing lands and favorable environment conditions provide good basis for developing cattle production. With regards to the food and processing industry; meat, dairy, fish, flour-and-cereals and formula feed, sugar, organic products and oil seeds present strategic investment opportunities. The country also requires investment in infrastructure of irrigation systems – channels, ditches, water reservoirs, pits, pump stations, dams, etc.

Light Industry

Niche projects in the light industry in Kazakhstan which present investment potential include reconstruction and modernization of leather-shoe industry; skin processing and leather production; geo-textile production to reinforce engineering structures; yarn factory; carpet and high-density carpet goods factory; woolen cloth factory and yarn and knit goods factory.

Tourism Industry

Kazakhstan has a number of unique wildlife preservations and national parks, over 100 sanatoriums and over 9,000 archeological and historical monuments, along with diverse landscapes. In order to develop the potential of the sector, the State Program of Tourism Development for 2019-2025 was established in 2018. Wildlife tourism, medical tourism, eco-tourism, agro-tourism, ethno-graphic tourism, trophy hunting, medical and health improving tourism, mountain tourism, skiing and ice-skating provide immense opportunities for investments.

Other priority areas for investment in Kazakhstan include IT, bio-technology, space activity, transport and warehousing and alternative energy industry.

UZBEKISTAN

During the immediate years after independence, Uzbekistan formed favorable investment environment, broad system of legal guarantees and privileges for foreign investors, developed integral system of measures on encouragement of activity of the enterprises with the foreign investments. The investment legislation of Uzbekistan is one of advanced legislations amongst the CIS countries and it incorporated major provisions of the international investment law, in particular, regulations on guarantees of the rights of foreign investors, certain preferences for investors and others.

Uzbekistan has pursued a gradual but steady path towards reforming and modernizing its economy and has taken concrete steps to enlarge the private sector both through its privatization program and through the creation of an enabling business environment. Economic factors that make Uzbekistan attractive to foreign investors include attractive investment incentives, adequate infrastructure, low cost of energy/utilities, large internal market, free trade zone with 11 CIS member-states forming a large regional market and MFN, trade arrangements and bilateral investment treaties with several countries, provision for reciprocal promotion and protection of investments.

Uzbekistan possesses enormous investment potential. In Uzbekistan, industries such as automotive, agricultural machinery manufacturing, biotechnology, pharmaceutical industries and information technologies have stepped into a new development stage. The country envisages to attract increased investments for modernization and technological re-equipment of the enterprises specialized in processing industries. Uzbekistan provides immense investment opportunities in sectors such as:

Oil and Gas Industry

Uzbekistan has 1.5 trillion cubic meters of proven reserves of natural gas (21st largest in the world) and 594 million barrels of proven reserves of crude oil. Uzbekistan ranks 15th in the world production of natural gas. The current gas transmission system in the country consists of over 13,000 km of main gas pipelines, more than half of which is aged 30 years and above. Many of the gas compressor units are fully depreciated, indicating the necessity to modernize the gas transmission system.

Mineral Sector

Uzbekistan is rich in various types of mineral fossils. The subsoil was identified to contain over 100 types of mineral resources. Uzbekistan is among the world's leading reserves of gold, uranium, copper, silver, lead, zinc, tungsten, natural gas and other mineral fossils. The explored reserves of mineral resources solely are estimated to value over US$ 3.3 trillion.

Chemical Industry

To capitalise on the demand for electricity and compressed gas domestically and because of the limited export potential in a country where transport facilities and pipelines are yet to be properly modernized, there exist vast opportunities in transforming gas to develop complex and expensive products through chemical processing. The chemical industry encompasses production of fertilizers, organic and inorganic substances, artificial fibers, polymers and chemical agents for energy power. Uzbekistan's chemical industry envisages further production of potassium fertilizers, PVC, vinyl chloride, increase the production volumes of nitric and phosphorus fertilizers, methanol, carbamide, ammonium nitrate, sodium chloride, melamine and other products which require huge investments.

Electric Power

At present, nearly 50 percent of the power generating supply under the Central Asian United Energy System is concentrated in Uzbekistan. Activities including

construction of new power generating supply sources, replacement of generating equipment, meeting the demand of the energy consumption and introduction of up-to-date technologies of power generation hold potential for cooperation. According to the Center for Economic Research (CER) of Uzbekistan, maintaining the current trends and volumes of resource consumption, natural gas and coal reserves in Uzbekistan will last for the next 20-30 years, while oil reserves are almost depleted. Alternative sources of energy production holds vast potential for investment. The potential of solar energy in Uzbekistan is estimated at 50,973 million tons of oil equivalent and that of wind energy is estimated at 2.2 million tons of oil equivalent.

Production and Processing of Fruit and Vegetable Products

Agriculture, including the fruits and vegetables industry is developing as a result of several measures and structural reforms. Uzbekistan possesses significant agricultural resource potential. Fruits and vegetables produced in the country have unsurpassed taste qualities. Uzbekistan is a major exporter of apricots, persimmon and cherries in the international fruit and vegetable market. The Government of Uzbekistan is implementing a new Agri-Food Development Strategy 2020-2030, focussing upon the strengthening of public services to assist farms and agri-businesses.

Other sectors which hold significant potential for investment include food industry, viticulture and wine making, clean development mechanism, electrical engineering industry, construction materials production, education, innovation, jewelry industry, transport and logistics, automobile industry and metallurgy and mechanical engineering.

TAJIKISTAN

Tajikistan possesses abundant unique natural and economic resources necessary for international cooperation and for attracting investments. The Government is making efforts to create proper conditions for participation of all investors and effective use of investment opportunities. The country has made a number of changes that have improved its ranking in doing business from 152nd in 2010 to 106th in 2019. The most significant reform was the implementation of a “single-window” business registration system, which applies to both foreign and domestic applicants and reduces red tape associated with opening a business.

The main drivers of investment in Tajikistan include its strategic geographic location, political and economic stability, positive dynamic reforms, natural resource endowment, diverse investment opportunities, political commitment

and incentives for investors. The Government is trying to attract essential investments in road construction, development of energy sector and mining industry. Significant attention is being paid to civil construction, services and trade. Tajikistan has adopted the National Development Strategy 2016-2030, which defines priority sectors for investment.

Energy and Hydropower

Tajikistan has huge reserves of hydroelectric resources, occupying the 8th place in the world in terms of specific reserves (per capita and area unit). The estimated hydro potential of Tajikistan is 527 billion Kilowatt-hour per annum. However, it is estimated that less than 6 percent of this capacity is being utilized at present. Priority investment projects exist in the area of hydropower and heating stations, schemes of integrated use of Tajikistan's hydro potential, construction of power transmission lines, modernization and reconstruction of existing facilities in the electric power industry.

Natural Resources and Mining Sector

Tajikistan's natural resources are very diverse, with about 40 kinds of minerals being mined, about 100 deposits being exploited and over 600 deposits of polychime, rare and precious metals have been identified and explored and are partially prepared for industrial development. Many deposits of poly-chemical, rare and precious metals are discovered in Tajikistan including zinc, lead, molybdenum, wolfram, copper, gold, silver, antimony, mercury, fluor spars, black tin, uranium, bismuth, iron, manganese, sodium chloride, magnesium and other metals with high export value. There are also abundant reserves of marble, granite, volcanic tuff, strontium and semi-precious stones.

Tajikistan also has plenty of unique healing springs and sources of mineral water. Enormous deposits of snow and ice are concentrated in the highland areas of Tajikistan. The total area of glaciers in Tajikistan is 8,476 square kilometers. Many of Tajikistan's glaciers exceed 1.5 kilometers in length, with sixteen of them exceeding 16 kilometers in length, acting as a rich source of mineral water.

Agriculture Development and Processing of Agricultural Products

Tajikistan has favorable natural and climatic conditions, with plenty of sunshine and water, fertile valleys to assist in the development of its agriculture sector. Climatic conditions are favorable for the growth of exotic fruits and vegetables. Priorities for development of agriculture sector include processing of agricultural products; processing of wool and leather; cotton farming; gardening and vegetable

farming (ecologically clean products); cattle breeding; beekeeping; fish farming and newlands reclamation.

Tourism and Service Industry

With immense natural flora and fauna and a rich cultural heritage, the country has a potential for further development and promotion of eco-tourism; health and spa tourism; highland tourism and mountain hiking.

Other priority areas which hold immense potential for investment and cooperation include: SME development in processing of agricultural products; processing of primary aluminium; manufacture of construction materials; transport and communications infrastructure; machinery, equipment, materials and spare parts; chemical industry products; textiles, carpets, leather and garments; wood industry products and ceramics, glass and semi-precious stone items.

KYRGYZSTAN

Kyrgyzstan is one of the most investor-friendly emerging economies in the Central Asian region with a relatively advanced legal framework and sustained commitment to encouraging investment. Kyrgyzstan strongly encourages private investment, both from foreign and domestic investors. The Government of Kyrgyzstan pays special attention to development of industry, trade, and tourism sectors of the country as well as to formation of a favorable investment climate. Attracting FDI is one of the main priorities of the national economic policy. Kyrgyzstan has immense investment potential in diverse sectors of its economy, which include primarily among others:

Hydropower

Kyrgyzstan has vast water resources originating from its mountain rivers with huge potential for hydropower generation, with an estimated production capacity at 150,000 gigawatt-hours (GWh). The need for increasing energy efficiency was accorded high priority post-independence. While over 90 percent of domestic electricity demand is met by hydropower, the country is currently using less than 10 percent of its hydropower potential. Despite its immense hydropower potential, high potential for wind and solar power, and substantial coal reserves, the sector has struggled to meet the country's growing demand for energy. According to the ADB, the country is heavily dependent on a few hydropower generation facilities and two aging cogeneration plants that are vulnerable to breakdowns. Most of the assets in generation, transmission, and distribution are aged and in need of replacement[24].

[24] Kyrgyz Republic - Improving Growth Potential, ADB, September 2019

Mining

A large selection of deposits of various minerals have been discovered and explored on the territory of Kyrgyzstan. Kyrgyzstan has proven reserves of gold estimated at 68.5 million tons of ore, containing 6.1 million ounces of gold. The mining industry also produces some non-ferrous metals (antimony, mercury and rare earth minerals) in small quantities. The country has unexploited deposits of gold, tin, tungsten, coal, and possibly oil.

Food Processing

Kyrgyzstan has abundance of agriculture produce including cotton, kidney beans, meat and dairy products and fruit and vegetables, opening up opportunities for food processing with further capacity to export finished goods. Processing of sugar, tobacco, starch and molasses, fruit and vegetables hold immense opportunities both domestically and for export purpose, while processing of beef and mutton in Kyrgyzstan is essentially for export purpose.

Tourism

On account of its unique natural beauty, picturesque landscapes and abundance of cultural and historical sites, the country possesses a huge potential for development of tourism sector. The rich fauna of Kyrgyzstan which comprise more than 400 types and species of animals and birds, such as snow leopard, eagle, and many others, besides the rich flora and natural landscape of a mountainous region provides immense scope for development of the tourism sector. Mountain-ski tourism, rafting, trekking, wildlife and ecological tourism could thus be potential areas in the tourism sector.

Information and Communication Technology

Information and communication technology (ICT) services have been improving rapidly in the recent years, with commensurate extensions in service coverage and quality. The National Digital Transformation Program 2019–2023, aims to transform the country into a digital economy, highlighting the high-level political commitment to public sector modernization and reforms. Fixed telephone line penetration in the country has remained one of the lowest in the region- a penetration of just 6.6 per 100 people, next to Tajikistan, while mobile cellular subscription in the country is 131.4 per 100 inhabitants. Despite the high level of literacy and attainment of secondary education in the country, only 38 percent of the adult population used the internet in 2017. Internet access in rural areas is constrained by the limited mobile broadband coverage and insufficient

smartphones and computers. Kyrgyzstan also envisages establishing a high technology park, which would also be exempted from a number of taxes for a few years.

The Government of Kyrgyzstan is paying much attention to creation of favorable conditions for increased investment activity. The Government aims to incentivize foreign investors with foreign investment presently being allowed in all sectors of economy; possibility to freely manage the company with full ownership rights; full repatriation of capital and profits; protection against out-of-court expropriation and nationalization and provision of national treatment for foreign investors.

TURKMENISTAN

Turkmenistan has voluminous reserves of natural gas, ranking as the world's fifth largest reserve of natural gas and substantial oil resources. In addition, half of the country's irrigated land is planted with cotton, making the country a major global producer of cotton. Historically, the most promising area for investment have been the oil and gas sector. Other industries where the Government has evinced interest to attract foreign investment include sectors such as textiles and construction, which require modern technology, knowledge of international markets and experience in international business practices. In line with Turkmenistan's immense potential in oil and gas, in 2006, Turkmenistan adopted the Oil and Gas Development Plan for 2007-2030. Recently the Government has been trying to attract investment in sectors such as construction, chemicals, agriculture, healthcare, transportation and communications, logistics, banking, financial services and insurance.

7. KEY OBSERVATIONS AND THE WAY FORWARD

Central Asian Republics face various domestic and regional challenges in the spheres of political, economic as well as security areas. The disintegration of Soviet Union has resulted in further disintegration of economic and trade linkages existed in the pre-Soviet Union era, leading to economic recession in CARs in 1990s. The situation has improved in the latter years with high growth rates and improvement in per capita incomes being witnessed in most economies of the region. CARs are among the largest resource rich countries globally, though they were not able to fully utilize their existing reserves to full potential due to challenges such as insufficient connectivity, lower regional integration, and inadequate facilities to exploit these resource base. Tackling these joint challenges would improve stability, connectivity, intra-regional trade, regional energy trade and increase investment flows.

Enhanced Regional Cooperation

Though CARs have made efforts to strengthen their integration into global economy, the process has been slow. A number of factors are behind these, including security, connectivity, and economic issues. Among CARs, Turkmenistan and Uzbekistan have not joined WTO yet. Moreover, except for Economic Cooperation Organization (ECO), there are no other regional grouping where all the five countries have taken membership – Kazakhstan and Kyrgyzstan are the only CARs in the Eurasian Economic Union, while Turkmenistan refrained from joining the SCO. Although all CARs are members of the ECO, the preferential trade agreements of the ECO involve only some of CARs and hence, the ECO does not play an active role in promoting regional trade[25]. A lack of coordinated efforts from all CARs in trade, economic and infrastructural projects has limited the intra-regional trade and development. A closer intra-regional cooperation is necessary to improve the business and investment climates and improved trade and investment.

On a positive front, realizing the need for improved regional cooperation to collectively solve common challenges, the first in a long time informal meeting of

[25]Central Asia — Twenty-five years after the breakup of the USSR, Uuriintuya Batsaikhana and Marek Dabrowsk, Russian Journal of Economics, September 2017

leaders of CARs happened in Astana in March 2018; with a follow up meeting in November 2019. These meetings are expected to contribute to the normalization process among CARs. Kazakhstan and Uzbekistan are planning to launch a joint visa programme, 'Silk Visa' which allows tourists to travel freely between their two territories, which if extended to the rest three countries will vastly improve the tourism potential of the region. The ongoing construction of Ashgabat–Turkmenabat Highway between Uzbekistan and Turkmenistan is also revealing the efforts undertaken by these countries to improve the regional cooperation.

Economic Modernization

To improve the investment and business climate, CARs are increasingly opening up their markets. There have been improvements in the doing business rankings of CARs, especially with its implemention of structural reforms to improve their business environment, competitiveness and enhance modernization. A serious effort at political and economic reforms started in Kazakhstan in 2015. Uzbekistan has initiated large scale economic reforms in 2017, covering almost all walks of the economy. Reduction in taxes and liberalization of exchange rates and tariffs have created a positive investors' outlook for the country. On the other hand, existence of large number of government and public sector enterprises has impacted the market transition process of CARs. These efforts need to be strengthened for the all round development of the region.

Enhancing Infrastructure Development

The landlockedness of CARs is the major reason behind inadequate connectivity facilities among the countries in the region and rest of the world. Unrestricted movement of goods, services, people and capital between these countries are necessary for their enhanced economic development. Tajikistan and Kyrgyzstan do not have a fully-fledged national railway network, along with having severe road transit capacity issues in the region[26]. The situation has improved in the recent years, partly owing to the Belt and Road Initiative (BRI) and other infrastructure projects including Turkmenistan-Afganistan-Pakistan-India Pipeline (TAPI), and the International North-South Transport Corridor (INSTC) leading to construction of new pipelines, railways and roads, improving connectivity among the countries in the region as well as to India, China and Europe. These improvements in infrastructure are expected to further increase FDI inflows into CARs. Moreover, the countries have realized the importance of infrastructure projects and are taking necessary steps to utilize the previously unexplored resources. For

[26]The Paradoxes of Social and Economic Development in Central Asia, Russian International Affairs Council, January 31, 2020

instance, Tajikistan has launched the second unit of Rogun hydroelectric station in September 2019, which could transform the country into a major producer of electricity in the region.

Almost two-third of the Central Asian water originates from Tajikistan. Kyrgyzstan and Tajikistan are "upstream" countries, with around 45 percent of the region's water resources formed in the glaciers on its territory. Due to climate change, there has also been reduced water flows in the region resulting from depletion of glaciers. The countries, therefore, need to have comprehensive efforts to counter water issues by setting up proper water management systems and solve issues of intra-regional water usage in the region. Moreover, combined electricity transmission projects in the lines of CASA-1000 (connecting Kyrgyzstan, Tajikistan, Afghanistan and Pakistan) by connecting all CARs would reconnect the regional energy grid through efficient use of hydropower resources in the region and improve the energy trade not only within the region but to entire South Asia.

Reduced Dependence on Remittances

Though CARs are endowed with abundant low cost labour supply, large scale labour migration remains a major issue in these countries. The high unemployment and inflation in the region have resulted in increased migration of labours to Russia, China, Kazakhstan (from other CARs) and Turkey. Foreign remittances have brought about much needed foreign exchange, supporting high growth and standard of living. According to the OECD, the scale of remittances is such that for some Central Asian countries, the primary export commodity is really labour[27]. According to the World Bank data, remittances accounted for an estimated 29.2 percent and 28.2 percent of GDP of Kyrgyzstan and Tajikistan, respectively in 2019. At the same time, large scale migration has also resulted in limited availability of qualified and highly skilled labour in the parent country. Moreover, these high level dependence on remittances make these countries vulnerable to the economic situations in receiving countries. For instance, a declining oil prices and a ruble depreciation would result in lower growth in outward remittances from Russia to Central Asian Republics. Huge dependence on migrants' remittances is not a feasible option in the long term. It is imperative that CARs create plausible conditions for generating more productive activities and new tradable sectors to avoid excessive dependence on foreign labor markets.

Improved Intra-regional Trade

Landlockedness of CARs with limited transport connectivity has affected intra-regional trade in the region. Absence of a formally established trade and economic

[27]Enhancing Competitiveness in Central Asia, OECD, 2018

cooperation agreement among the countries is another factor that constrained regional trade integration in CARs. In 2018, the share of intra-regional exports in total exports of the region stood at 6.6 percent, which remains low compared to other regions. Issues such as disagreements resulting from border demarcation, water management, the supply of and payments for energy, ethnic tensions and restrictive visa regimes have restricted cross border trade among CARs. Since CARs are major commodity producers, there exist low complementarity in production and lack of competitiveness, impacting intra-regional trade. CARs need to resolve bilateral issues and arrive at an economic cooperation agreement which will break down tariffs and non-tariff barriers to reduce trade costs and would allow access to each other's markets for a greater range of goods. Moreover, importance to be given to trade facilitation measures such as efficiency of customs and other border procedures, quality of transport, and cost of international and domestic transport.

Trade Diversification

Central Asian Republics have identified trade diversification as a major economic goal since their independence. However, exports of CARs are concentrated both in terms of products and markets. Commodity resources still dominate the exports of CARs. According to the Herfindahl-Hirschmann Index calculated in Chapter 3, Turkmenistan and Kazakhstan have higher export concentration compared to other CARs. Only other major foreign exchange source is large scale remittances from abroad, especially from Russia, Turkey and China. Moreover, due to increased concentration on few products, CARs remain highly vulnerable to the decline in the prices of oil, natural gas, metals and agricultural raw materials. In addition, mostly due to their geographical location, CARs are heavily dependent on a few trading partners / export markets including Russia and China, making these countries vulnerable, further to shocks affecting these partner countries.

An increased diversification is therefore, necessary to bring about higher economic growth and reduced vulnerability to external shocks. Improved connectivity is a necessary pre-condition for increased trade, as diversification requires deeper integration in trade and global value chains. CARs need to upgrade their transport networks and trade policies to facilitate increased cross-border trade[28]. Simplification of trade procedures and addressing infrastructural bottlenecks especially to enhance connectivity are important for ensuring economic diversification in the region.

[28]Enhancing Competitiveness in Central Asia, OECD, 2018

India and Central Asia – Need for Enhanced Trade and Improved Connectivity

Central Asia is an integral part of India's Eurasian Agenda. CARs are considered as gateway to the Eurasia, and India's strong links with CARs would support India's outreach to these geographical regions. Geographical proximity between India and CARs have historically resulted in a strong relationship between both regions. India's current trade engagements with CARs remains sub-optimal. There is huge trade and investment potential among both regions, which require substantial improvement in transport connectivity. Strengthening of economic ties between India and CARs, especially in trade and energy will be beneficial for both parties. There also exist vast scope for collaboration between India and CARs in sectors such as IT and high technology products. India's membership in the SCO is a right path in this direction.

Investing in infrastructure development projects in CARs including rail, road and energy sector are some of the plausible options for Indian investors. India's strength in project exports would also pave way for investment in these regional infrastructure projects. The Chabahar Port in Iran being operated by India also gives direct access between India, Afghanistan and CARs. India has also invested in other projects such as TAPI, construction of rail line between Iran and Afghanistan, INSTC and has also joined the Ashgabat Agreement which aim to enhance connectivity within the Eurasian region and synchronize it with other regional transport corridors, including INSTC. India's pro-active and comprehensive policies towards Central Asian Republics would support India to create long-term linkages in the region. Leveraging on India's economic and technological capacities would pave way for India to play a balancing role in the region.

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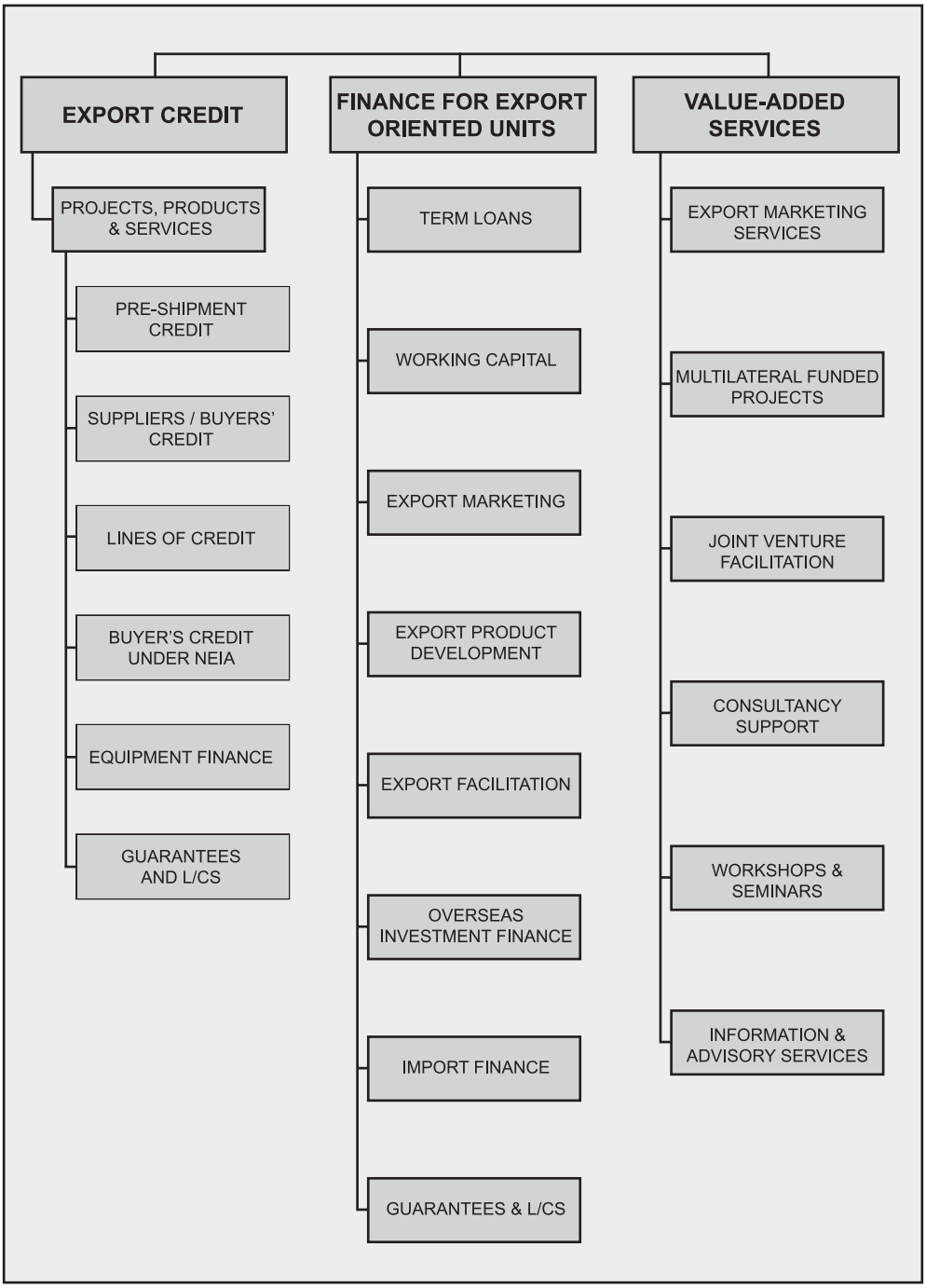

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Fax : (91 172) 2641915
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E-mail : eximkro@eximbankindia.in

New Delhi

Office Block, Tower 1, 7th Floor, Adjacent Ring Road, Kidwai Nagar (E) New Delhi - 110 023
Ph.: +91 11 61242600 / 24607700
Fax: +91 11 20815029
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Pune

No.402 & 402(B) 4th floor Signature Building
C.T.S.No. 853, Plot No. 195, Bhamburda,
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Pune, Maharashtra 411004
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OVERSEAS OFFICES

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Mobile : (225) 79707149
Fax : (225) 20 24 29 50
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